EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,624 Wednesday August 24 1988 D 8523 A

JAPAN'S HOPES
Takeshita's modest aims in Peking
Page 3

World News

Controversy over Quayle dominates US campaign

Controversy over Vice-President George Bush's choice of Senator Dan Quayle as his running mate for the US presidential election in November increasingly dominated the campaign.

Embarrassing new charges were made about the 41-year-old Indiana Senator's past, following allegations that he used family contacts to avoid fighting in Vietnam. Page 4

Burma protests

More than half a million people took part in peaceful demonstrations against Burma's 26-year-old socialist Government. Page 3

Iran accuses Iraq

Iran alleged Iraqi forces were massing for an attack on the central Gulf war front, but the UN said the ceasefire was holding. Page 3

Afghan dump blast

A Soviet spokesman confirmed that an explosion took place at an ammunition dump at Kilagay, north of Kabul, on August 11. He said there were no fatalities although rebel sources said up to 800 died.

UN Cyprus talks

Greek-Cypriot President George Vassiliou and Turkish-Cypriot leader Rauf Denktash had separate meetings with UN Secretary-General Javier Perez de Cuellar in Geneva. Good atmosphere, Page 2

Bujumbura curfew

The Burundian capital, Bujumbura, was said to be under curfew following tribal massacres in the north of the country in which thousands died.

Angola talks restart

Cuban, Angolan and South African delegates arrived in the Congolese capital, Brazzaville, for a fifth round of US-sponsored peace talks on southern Africa. Page 3

Nepal toll rises

The Nepalese authorities revised their estimate of the death toll in Sunday's earthquake to more than 1,000. Another 200 people died in northern India.

Korea talks due

North and South Korea were due to hold a private meeting today at the border village of Panmunjom, in a bid to arrange talks on a role for Pyongyang in next month's Olympic games.

Floods hit Burkina

Two people were killed and at least 4,500 made homeless by torrential rains in the Sahelian state of Burkina Faso.

SA Wimpy Bar bomb

At least 25 people were seriously injured when a bomb exploded in a Wimpy fast food restaurant in the South African city of East London.

West Bank moves

The Palestine Liberation Organisation said it would take responsibility for civil servants sacked when Jordan cut its ties with the Israeli-occupied West Bank last month. Israel-PLO clash, Page 3

Estonians remember

Estonian speakers demanded independence from Moscow at a rally in the Baltic republic to commemorate the 1939 Nazi-Soviet pact which brought it under Soviet control.

Business Summary

Hearing on BAT bid for Farmers postponed

INSURANCE regulators in Kansas postponed for two days the start of a hearing on the $5.05bn bid by BAT Industries for US insurer Farmers Group, triggering speculation on Wall Street that a deal between the two groups was about to be signed.

BAT and Farmers themselves sought postponement of the hearing from the state's insurance department having been in secret talks in California, since late last week.

BRITAIN'S economy continued to grow at an exceptional pace into the three months to June, according to official figures published yesterday, reinforcing fears that the economy was growing too rapidly, leading to inflation. Page 7

IMPERIAL Chemical Industries, Britain's biggest chemicals company, will sell its European silicones business to Rhône-Poulenc, the state-owned French group for £20m ($50.4m). Page 15

CAMBRIDGE ELECTRONIC Industries, floated off by Dutch electricals and electronics group Philips in 1981, has returned to its parent to buy two US electronic component businesses for a total of about $54m. Page 15

HONGKONG and Shanghai Banking Corporation, the colony's biggest bank, which last year acquired 14.9 per cent of Midland Bank of the UK, pushed up its interim dividend following strong first-half profits. Page 15

BEATRICE: Donald Kelly, flamboyant chairman of the diversified food concern, is to resign as head of the company he took private in one of the largest leveraged buyouts in US corporate history two years ago. Page 15

DEN NORSKE Creditbank, troubled Norwegian commercial bank, announced a radical restructuring of the bank into four main divisions and new appointments to head them, following NKr1.5bn ($214m) losses for 1987 on loans and securities. Page 17

STATOIL: Norwegian state oil company's financial problems were underlined when it called for a state cash injection of at least NKr3bn ($429m) to sustain operations at current level. Page 7, page 17

SAMPO, Finnish insurance group, plans to raise FM975m ($220m) through a one-for-two rights issue which will raise its share capital by 48 per cent. Page 17

APPLE COMPUTER has decentralised its operations into four autonomous divisions to better handle its rapid growth; it is aiming for sales of some $10bn by the early 1990s. Page 16

TOOTSIE Roll Industries, Chicago-based maker of theinfamous Tootsie Roll one of the best known sweets in the US, plans to purchase New Jersey bubble-gum maker, Charms. Page 16

DEERE, the world's largest manufacturer of farm equipment saw its recovery continue in its third quarter with a rise in net profits for the three months to $81m up from $25.5m in the same period last year. Page 16

AUSTRALIA announced a change in banking regulations to remove the distinction between trading and savings banks, and reduce the amount banks are required to place as low-interest deposits with the central bank. Page 18

France to ease embargo on oil from Iran

By Ian Davidson in Paris

THE French Government is to ease the 12-month-old embargo on oil imports from Iran, by introducing a barter system for swapping Iranian oil imports against French exports.

It appears probable that France will supply food and agricultural products, which are in short supply in Iran.

But neither the details nor even the scale of the new barter arrangements have been announced, and they are not expected to be settled for a few days. Until they are, the embargo imposed on Iranian oil imports at the beginning of August 1987 remains in force.

Moreover, the French Government remains extremely guarded about the reasoning behind yesterday's cryptic announcement, which said merely that the Government "envisages in the next few days softening the existing regime governing Franco-Iranian oil relations, in a framework of compensation trade deals".

Formally the embargo remains in force, even though diplomatic relations were restored two months ago, and the French Government has not explained why it is still holding out against the Iranians on the oil front, nor why it has now decided to ease the embargo.

Diplomatic relations were broken off by Paris in August 1987 in a dispute with Iran over alleged terrorist activities in France. They were restored in June, after intense negotiations by the former right-wing Government of Mr Jacques Chirac, which led to the release during this spring's French presidential election of three French hostages held by pro-Iranian terrorist groups in the Lebanon.

The rupture was precipitated in July last year by the refusal of an Iranian embassy official, Mr Wahid Gordji, to answer accusations that he had been involved in terrorist activities in France in 1986.

Although the French Government has given no explanation of the cautiousness of its easing of the oil embargo, two factors seem to be at work.

The first is that a substantial financial dispute, over a $1bn Iranian loan to the French Eurodif uranium enrichment project, remains unresolved, and the French Government has been reluctant to give away any negotiating cards prematurely. The second is that France may have felt obliged to make a gesture of goodwill in response to the Iran-Iraq ceasefire.

At all events, it appears that Tehran has pressed hard for new arrangements to facilitate the import of food from France.

Shell gloomy on oil demand, Page 32; Statoil seeks cash injection, Page 17

Poland rejects Walesa talks

By Leslie Colitt in Gdansk

THE POLISH leadership accused the outlawed Solidarity trade union in Gdansk and its supporters nationwide of holding it at "strike gunpoint" as thousands more workers joined the widening labour stoppages.

Solidarity in Gdansk responded by appealing to the International Red Cross to send food and blankets to nearly 2,000 workers who it said were now striking in the shipyard and the port of Gdansk. The authorities refused to allow food for the strikers to enter the shipyard in an attempt to force the men to give in quickly.

But young Solidarity activists, knapsacks filled with bread and sausage, were jumping the fence surrounding the vast shipyard.

Mr Jerzy Urban, the government spokesman, said the authorities would not negotiate with Mr Lech Walesa, the Solidarity leader, to end the strikes. Mr Walesa has been together with his fellow strikers since they halted work on Monday morning.

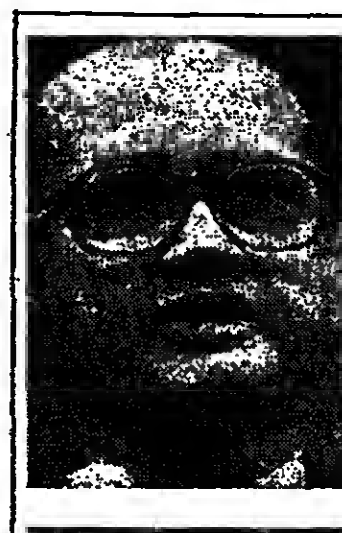
A curfew from 11pm last night to 5am today was ordered in the strike-bound coal-mining city of Jastrzebie in southern Poland and in other regions where strikes were spreading. Solidarity sources said four new mines went on strike yesterday, while PAP, the Polish news agency, said the Andaluzja mine in another part of Silesia was back working after strikers were "urged" by fellow miners to return to their jobs.

In the rectory of St Brygida Church in Gdansk advisers to Mr Walesa said they were determined to see through the strike to the end.

Mr Michnik and Mr Tadeusz Mazowiecki, who advised Solidarity in 1980 and 1981, entered the church grounds before the strike wave began and cannot venture outside for fear of almost certain arrest. They remain in contact through teenage couriers with the strike leadership under Mr Alojzy Szablewski inside the shipyard.

Shipyard workers sat on roofs playing cards and on the ground chatting as family and

Continued on Page 14



As General Wojciech Jaruzelski of Poland, above left, faces a wave of strikes throughout Poland and growing unrest among workers, Eastern Europe as a whole is showing signs of restlessness and an unwillingness to embrace fully the reforms of Mr Mikhail Gorbachev, the Soviet leader. Despite Moscow's perestroika Romania's President Nicolae Ceausescu, above right, is still pushing on with a Stalinist-run economy. And Mr Todor Zhivkov of Bulgaria, left, is digging in and resisting the reforms.

Moscow's neighbours grow restless

By Judy Dempsey in Vienna

WHEN Mr Mikhail Gorbachev returns from his summer holiday, he faces serious challenges to his reforms – not only from within his own party but from his socialist neighbours.

Eastern Europe, so long Moscow's Achilles heel, is becoming restless for change. And the pressure is coming from below.

In the space of a month, Polish workers have again resorted to strikes and are calling for the legalisation of the Solidarity trade union. Thousands of young Czechoslovaks, suffocated by 20 years of political and cultural stagnation, surprised even the most sceptical by marching in Prague last Sunday night. In the Old Town, they chanted the name of Alexander Dubcek, the party leader mercilessly ousted by Warsaw Pact tanks on August 21 1968.

More and more people in neighbouring Hungary are openly criticising the destruction of villages inhabited by ethnic Hungarians in Romania. Mr Todor Zhivkov, Bulgaria's leader, having sacked Mr Chudomir Alexandrov, his reform-minded deputy in charge of economic and party policy, is digging in and resisting Gorbachev-style reforms.

President Nicolae Ceausescu of Romania doggedly pushes on with a Stalinist-run economy. Mr Erich Honecker, East Germany's party leader, ponders what to do with the growing influence of the Protestant churches but shies away from introducing any substantial political or social changes.

Such a picture must greatly disturb the leadership in Moscow, not least because the recent events taking place in Eastern Europe, while not following any coherent pattern, have one thing in common.

Since the leaderships cannot match, or are unwilling to

Continued on Page 14

GM seeks to regain leadership in Europe

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS of the US unveils today its new range of Opel Vectra/Vauxhall Cavalier saloons and hatchbacks in an attempt to wrest back leadership from Ford of the hotly contested and lucrative mid-range segment of the European car market.

The new range, developed at a cost of about $800m, will play a vital role in sustaining GM's European recovery and is crucial for its success in the UK, especially in the all-important British fleet market, and in West Germany, the biggest markets for mid-range cars in Western Europe.

The Opel Vectra/Vauxhall Cavalier, which replaces the first front-wheel drive Opel Ascona/Vauxhall Cavalier launched in 1981, is the result of a six-year design and development programme at the technical development centre of Adam Opel, GM's West German subsidiary, which now carries out all GM's European car development.

It will be produced at three locations in Western Europe, at the Opel plants at Antwerp in Belgium and at Russelsheim in West Germany, and at the Vauxhall assembly plant at Luton in the UK, where £30m ($50m) has been invested in new plant and equipment.

As part of the Vectra development programme, GM claims to have broken new ground in European motor industry labour relations with the introduction of a four-year labour agreement at its Antwerp plant, which will dramatically increase the competitiveness of the Belgian assembly operations.

GM has consolidated its two

Continued on Page 14

W German trade surplus shows sharp increase

By David Goodhart in Bonn

WEST GERMANY'S trade surplus rose sharply in June lessening the chances of a lower trade or current account surplus for the year and thus potentially renewing pressure on the Bonn Government – which is committed to reducing the surpluses – to further stimulate domestic demand.

The statistics office in Wiesbaden could think of no special factors inducing the unexpected jump in the surplus from DM10.3bn ($5.4bn) in May to DM14.2bn in June.

Exports rose 19 per cent, compared with June 1987, and imports were up 6.8 per cent.

The annual trade and current account surpluses of the world's biggest exporter are now unlikely to shift far from the 1987 figures of DM118bn and DM80bn respectively.

Most economists had been looking for a June figure of around DM10bn and one commented: "It looks as if we did not take the buoyant export order data seriously enough."

The weakening of the D-Mark against the dollar, which gathered pace in mid-June, should initially have had the effect of reducing the surplus.

The West German authorities are now in the difficult position of not wanting any further weakening in the exchange rate but equally not wanting to choke off domestic demand with another interest rate rise.

Professor Norbert Walter, senior economist at Deutsche Bank in Frankfurt, said that the combination of the real depreciation of the D-Mark in the European Monetary System over several years and the recent investment boom in Europe lay behind the jump in the surplus.

He added that the West German Government was in a strong position to head off criticism, especially from the US, having just spent 40 per cent of its dollar reserves (DM35bn) trying to hold down the dollar rise and with private consumption continuing to grow at 3.5 per cent a year.

● The Bonn Government has reduced the number of undertakings in which it has a direct or indirect interest from 808 to 499 since 1982, but has raised only DM6.6bn from privatisation.

This compared with DM75bn in the UK and DM20bn in France, according to the Instituts der Deutschen Wirtschaft in Cologne.

US bond market rallies after news of stable price inflation

By Anthony Harris in Washington

EXPECTATIONS of higher US interest rates weakened yesterday after the release of figures showing unchanged consumer price inflation and a 7 per cent fall in durable goods orders, rather sharper than expected.

As a result, the bond market rallied by up to half a point and the dollar weakened slightly on further concerted intervention by the central banks.

Consumer prices rose by 0.4 per cent in July, precisely in line with market expectations, according to the Bureau of Labour Statistics. However, there was a slight reduction in the rate of inflation apart from the volatile food and energy sectors.

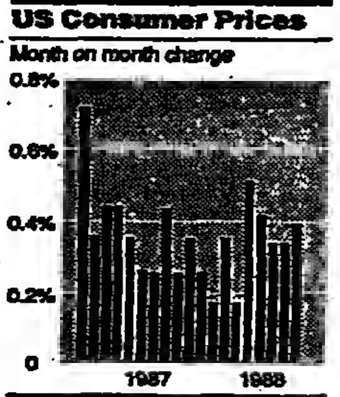
This was mainly the result of renewed weakness in the clothing market, where prices have now fallen by 1 per cent in the past three months, after an attempt to recover profit margins with sharp increases in the spring.

Consumer demand for all non-durables has been weak for several months.

As a result of the drought, food prices rose by nearly a full percentage point. The sharpest increases were in fruit and vegetables, cereals and bakery products and in eggs.

US Consumer Prices

Month on month change



The fall in durable goods orders was caused mainly by the return of defence orders to a more normal level after the release of a heavy backlog of orders in June. The monthly total fell by 44 per cent to $7.8bn.

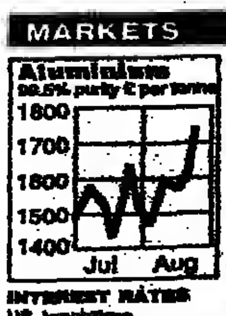
Most of the rest of the fall was in civilian transport equipment, with car orders down from recent high levels and a drop in the rate of aircraft ordering, which is always erratic. The aircraft market, according to the Department of Commerce, remains strong.

The underlying strength of manufacturing demand was confirmed with a further 1.5 per cent rise in unfilled orders for civilian goods and the sustained high level of orders for non-defence capital equipment, which at $35.4bn stands 10.5 per cent higher than in July 1987.

However, the markets had feared some further signs of overheated demand for manufactures.

MARKETS

Aluminium
99.5% purity £ per tonne



INTEREST RATES
US lunchtime
Federal Funds 7⅞% (8)
3-mth Treasury Bills: yield: 7.37% (7.27)
Long Bond: 97¼ (96¾)
yield: 9.37% (9.44)
London
3-month interbank: close 11⅞% (11⅞)

STERLING
New York lunchtime
$1.679 (1.686)
London:
$1.6795 (1.6785)
DM3.2025 (3.2175)
FFr10.8825 (10.9050)
SFr2.6875 (2.7025)
Y224.75 (224.75)

DOLLAR
New York lunchtime
DM1.90875 (1.908)
FFr6.473 (6.4815)
SFr1.606 (1.60145)
Y133.95 (133.875)
London:
DM 1.9065 (1.919)
FFr 6.4675 (6.505)
SFr 1.6055 (1.6115)
Y133.90 (134.05)

GOLD
New York lunchtime:
Comex
$441.8(443.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
1994.13 (+3.91)
S&P Comp
257.31 (+0.33)
London:
FT-SE 100
1817.9 (−14.4)
World:
124.29 (Mon)
Tokyo
Nikkei Ave 27,919.95 (−159.23)
Frankfurt
Commerzbank
1,442.1 (−25.7)

OIL
Brent 15-day (Argus)
$14.875 (−0.275)
West Tex Crude
$15.675 (−0.28) (Oct)

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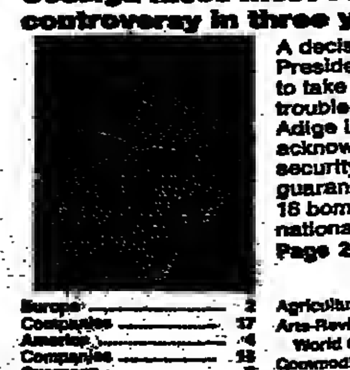
Cossiga faces most serious controversy in three years



A decision by Italian President Cossiga not to take a holiday in the troubled region of Alto Adige is seen as acknowledgement that security cannot be guaranteed, following 18 bombings in bitter nationalist conflict
Page 2

Italian region outraged by Cossiga decision

By John Wyles in Rome

FRANCESCO COSSIGA, the Italian head of state, is this week weathering the most serious controversy of the three years since he was elected President. This follows his decision to cancel a private holiday in the trouble-torn Alto Adige.

The President appears to have seriously miscalculated the local and national impact of a decision prompted by a desire to avoid being the trigger for "irresponsible acts which could cause damage to people and property."

Extreme nationalists, possibly from both the German- and Italian-speaking communities, have exploded no fewer than 16 bombs over the last three months in a fresh outbreak of terrorist incidents which have punctuated the past 30 years.

While Mr Cossiga's cancellation was not motivated by any fear for his personal safety, his non-appearance in the Alpine town of Merano is being seen as a reluctant acknowledgement that the Italian authorities can no longer guarantee law and order in the region.

The 124,000-strong Italian minority, whose disquiet about political and linguistic concessions made to the 280,000 German-speakers has expressed itself in votes for the Italian Fascist Party, is masking a sense of near-betrayal behind polite expressions of puzzlement and disappointment.

Mr Ciriaco De Mita, the Prime Minister, has felt bound to issue a carefully-worded statement which does not call into question the President's decision but which stresses that "the forces of law and order are perfectly able to confront and to deal with" isolated episodes of destruction.

The most recent of these last week saw the bombing of a huge water pipe which could almost have had the effect of a dambust over a small village in the valley below, but for the functioning of a cut-off valve.

Large sections of the press have reluctantly concluded that the much respected President has committed an error of judgment. "The good faith of his intentions is obviously beyond question but a mistake has been made," said La Repubblica yesterday. "The first controversial mistake of his presidency," commented La Stampa.

Tension in the region has apparently been rising since agreement in March between the Government and the Sud-Tiroler Volkspartei, representing the German-speaking majority, over a package of measures guaranteeing the equal use of German and a further strengthening of local political autonomy.

These were designed to complete a process guaranteed by the Treaty of Paris between the victorious wartime allies in 1946.

The South Tyrol was part of the Austrian empire until the end of the First World War until it was transferred to Italy as a reward for entering the war on the ultimately victorious side in 1915.

Cossiga: holiday change.

Finns agree moves to slow economy

THE FINNISH Government and the main labour and employers' organisations yesterday agreed a wide range of measures to stabilise the rapidly overheating economy. The package, which includes moderate wage increases, tax benefits and an index clause for inflation, would increase net incomes by 2.5 per cent next year. The measures are designed to put a clamp on Finland's rapidly rising inflation, which the Finance Ministry expects to jump from a 3.7 per cent annual rate last year to 6.5 per cent by the end of this year. The target for 1989, provided that all the parties stand by the agreement, is to keep inflation below 4 per cent. Under yesterday's pact, unions and employers agreed to a nominal wage increase of 40 pennies an hour or FM68 a month.

The Government, meanwhile, has decided to cut taxes by FM3.9bn (£514m). This includes a 5.5 per cent adjustment in income tax tables and a further FM1.4bn in other tax cuts. The agreement also carries an index linkage clause of 1.2 per cent for inflation in September-December 1988 and 4 per cent for December 1988 - December 1989.

The compromise was made difficult by the negotiations on next year's budget, which is expected to grow by 9 per cent to FM124bn. The budget will include a partial reform of Finland's tax structure aiming to cut income and corporate taxes on one hand and broaden the tax base on the other. Labour unions have strongly opposed a number of cuts in tax benefits. For example, they won the battle over tax-free union membership fees and tax-free strike benefits yesterday.

The agreement, which runs until February, carries a "strong recommendation" but is not binding. Individual unions may still bargain for higher wage increases and other benefits.

De Cuellar may support Bonn's UN forces role

By David Goodhart in Bonn

MR Javier Perez de Cuellar, UN Secretary-General, has intervened in the debate over whether the West German army, the Bundeswehr, should participate in UN forces by expressing indirect support for such a move.

In an interview published today in Die Welt, the UN Secretary-General says he would welcome contributions to peace-keeping forces, including troop contingents, from all members of the organisation.

The German constitution is ambiguous on the issue of whether the Bundeswehr can be deployed outside the Nato area. But the official position of the current Government, strongly backed by Mr Hans-Dietrich Genscher, the Foreign Minister, is that such deployment remains out of the question.

This debate, like the related argument over selling arms outside the Nato area, crops up regularly in West Germany. It has been highlighted in the past few days by divisions on the issue within the opposition Social Democratic Party.

Also, Mr Franz Joseph Strauss, Prime Minister of Bavaria, recently accused the Government of cowardice in refusing to send the German Navy to the Gulf. He said that, 43 years after the Second World War, West Germany should behave like a normal member of the family of nations and must be in a position to fulfil international tasks.

UK-Norway row over oil supply vessels may end

By Karen Fossli in Oslo

MR Peter Morrison, the UK Minister of State for Energy, yesterday announced plans to end by March 31, 1989 the long-standing trade dispute between Norway and the UK which excluded Norwegian supply vessels from operating on the UK continental shelf.

A special initiative enacted by the UK Government in 1986 to support European Community supply vessel fleets prohibited Norwegian kept from the UK Shelf because of Norway's non-EC status.

However, the supply vessels' dispute between Norway and the UK goes back to the 1960s when more technologically advanced Norwegian vessels were used by UK offshore oil and gas field operators. Because of the wide-range of tasks which Norwegian vessels could perform, the more dated UK fleet soon became excluded from its own domain.

UK operators had also complained that Norwegian regulations excluded them from operating on the Norwegian continental shelf. Norway subsequently amended its rules to allow UK vessels entry.

Greens set poll agenda in Sweden

By Sara Webb in Stockholm

WITH THE emergence of the environment as one of the big issues in the Swedish general election, politicians of all hues took the opportunity to convince voters of their deep commitment to curbing pollution, in a televised debate last night.

For the first time, the Green Party joined representatives of the other main parties, including the Energy and Environment Minister, Mrs Birgitta Dahl, for a political debate on traffic pollution and energy policy in view of the programme to phase out nuclear energy.

During the last election campaign in 1985, the Greens were excluded from important televised discussions, but their increase in popularity (during the past year, opinion polls have regularly shown them topping the 4 per cent threshold required to enter Parliament) has ensured them a place in the political arena.

Their rise has forced other parties to work hard to appear committed to environmental protection.

The ruling Social Democrat Party has worked hard on shedding its image as the "concrete party" committed to industrial development and has proposed tighter controls on the emission of air and water pollutants, as well as bringing forward the closure programme for Sweden's nuclear reactors.

Both the Social Democrats and the main opposition parties fear that if the Greens enter Parliament they will change the traditional pattern of Swedish politics, by holding the balance of power between the Socialist and non-Socialist blocs.

● The Governor of Sweden's central bank, Mr Bengt Dennis, said yesterday that he would join Mr Kjell-Olof Feldt, the Finance Minister, in co-chairing the International Monetary Fund/World Bank annual meeting in West Berlin between September 27-29.

The decision was taken because of growing uncertainty over the outcome of the Swedish general election, to be held on September 18 only a few days before the annual meetings start.

The Riksbank (central bank) said that if the ruling Social Democrat party were to lose the election, Mr Dennis would take over as chairman of the meetings in place of Mr Feldt.

Sweden took on the chairmanship of the boards of governors of the IMF and World Bank last year.

"We asked the Funds if Mr Dennis could co-chair the meetings and they agreed yesterday," said a senior official at the Riksbank, who added that the decision was taken to "avoid any awkwardness" in case the Social Democrats lost the election.

Italy sees payments surplus soar

By John Wyles

NEWS THAT Italy's balance of payments reached a record monthly surplus in July was slightly tarnished yesterday by evidence that inflation may have risen from around 4.9 per cent to an annual rate of above 5 per cent.

The monthly survey of consumer prices in major cities revealed the impact of the Government's raising of the central VAT rate in July from 18 to 19 per cent together with an increase in electricity charges. Increases in the local price indices ranged from annual rates of 4.8 per cent in Genoa to 5.9 per cent in Palermo.

Meanwhile, the L3,581bn (£1.5bn) surplus on the balance of payments in July reflected strong inward capital movements, some undoubtedly attracted by comparatively high Italian interest rates, and others in the form of a $1bn loan raised by the Treasury. Non-bank capital flows registered a L4,000bn surplus, while Italian portfolio investments abroad reached L646bn. Official reserves at the end of the month stood at L78,178bn.

This year has already seen a record monthly deficit in April when the current account was L3,042bn in the red. Nevertheless, the startlingly good July figure leaves the balance of payments with an L896bn surplus after seven months compared with a deficit of L1,691bn in the same period last year.

● Soviet officials will arrive in Italy today to inspect the nuclear missile site at Comiso in Sicily, the Foreign Ministry said yesterday, Reuter reports from Rome.

Comiso, where 112 US cruise missiles are based, will be the last of Nato's European bases to be inspected under the US-Soviet Intermediate Nnclear Forces treaty.

The treaty, signed in December, provides for the scrapping of medium-range nuclear missiles and verification by inspectors from each side.

Hint of economic reform for Soviet republics

By John Lloyd in Moscow

MR VITALY VOROTNIKOV, a member of the Soviet politburo and Prime Minister of the Russian Federation, has foreshadowed "a completely new level of responsibility" for the governments of the Soviet republics when the political reforms are carried through next year.

His remarks, carried in the newspapers yesterday, came on the eve of mass demonstrations planned for last night in the capitals of the Baltic republics – Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania).

The demonstrations were organised to mark the 49th anniversary of the signing of the Nazi-Soviet pact in 1939 – which ultimately meant the incorporation of the republics into the Soviet Union.

Early reports by Reuters from Tallinn describe a rally of some 2,000 in the city's Hirve Park, carrying hlack, white and hlue Estonian flags and placards with hoth the Nazi swastika and the Soviet hammer and sickle crossed out. Mr Lagle Parek, a local activist, told the crowd: "It is not enough to recognise the Soviet occupation of 1940: we have to restore our independence."

Mr Vorotnikov's remarks, coupled with a growing debate in the press over increasing regional economic independence, point to a Government drive to decentralise power to republican and lower levels.

While this is presented as being in line with the philosophy of perestroika, or economic restructuring, it is clearly also designed to channel growing nationalist feeling into an acceptable direction.

Mr Vorotnikov said that "for the first time for many years we are setting up the economic basis for local and regional self-government."

In an article in yesterday's edition of the newspaper Sovietskaya Kultura two Estonian economists, Mr E. Savisaar and Mr I. Raig, called for "full self-financing at republican level" so that Estonia – which is already considerably more efficient than most other Soviet republics – could specialise in the production of export goods and the acquisition of hard currency.

They said that the control of most enterprises by Moscow-based ministries had meant a distortion of the Estonian economy over which local bodies had no control, and now acted as a brake upon rapid scientific and technical development.

They sharply criticise senior managers and officials who opposed the required changes, saying that it is because they would lose their jobs.

"Therefore, it is not surprising that the idea of self-financing would be rejected by these high-paid clerks for whom the armchair in which they sit is regarded as equivalent to efficiency," they write.

However, Dr B. Shtulberg, another economist writing in the same newspaper, points out that full regional autonomy will contradict, at least in some respects, the drive to locate the seat of as many production decisions as possible in the enterprise, replacing the "dictatorship of the ministries with the dictatorship of the republics."

He says that a full blown model of economic independence would cause uneven development among republics, as some – presumably like Estonia – would surge ahead in living standards, while others fell further behind.

Mr Raig and Mr Savisaar also admit that this would happen, although for them it posed no problems.

● THE SOVIET authorities have jailed the organisers of last Sunday's public protest in Moscow to mark the 20th anniversary of the crushing of the Prague Spring, writes John Lloyd. They have been jailed for up to 15 days while fines of up to 100 roubles ($158) have been imposed on a further 15 activists belonging to the Democratic Union group.

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Malta's opposition takes a long hard look at its image

Godfrey Grima examines a dramatic policy change

MALTA'S opposition Labour Party has emerged from its annual delegates congress bristling with reforming zeal. Still *smarting from its downfall at* the May 1987 general election, after running the country for an uninterrupted 16 years, the party has taken a long, *hard look at itself*.

Taking their cues from party leader Dr Carmelo Mifsud Bonnici – now confirmed in his post by an overwhelming *secret ballot – delegates boldly* lanced abscesses long diagnosed to have hrought the party into disrepute with voters.

Wayward members, party officials and former ministers – whose claimed misbehaviour is said to have given rise to widespread corruption – were sharply criticised and may yet be made to account for their mischief.

Concern was also shown with the party's indifference towards the unchecked spread of political violence.

The high-handed tactics reserved by the police for dissenters, the consistent ransacking of opposition party clubs and the attack on the residence of Dr Eddie Fenech Adami, now the island's Prime Minister, were all viewed as very serious mistakes which cost the party large numbers of votes.

Long after the horses have bolted, Labour Party delegates seem to realise what considerable mileage Fenech Adami's ruling Christian Democrats drew from Labour's erring ways.

It was this, many delegates were convinced, which gave the Christian Democrats their surplus 4,700 votes and their single-seat parliamentary majority.

Hardly anyone questioned the Labour party's policies and certainly not the political, economic and social frameworks – enacted despite widespread complaints by the island's Roman Catholic Church, leading businessmen and other *prominent sectors of the com*munity as one radical reform followed another.

With the new government of Fenech Adami taking longer than expected to *spur* the island's sluggish economy or to narrow deep-seated political divisions, the Labour Party is convinced its was its tarnished popular image, not its unconventional tacks, which led the party along the road to trouble.

The point is not lost on Dr Mifsud Bonnici, who says mnch has been learnt from past mistakes.

In the 16 months the party has been in opposition, he has taken the time to reshuffle the cards in the Labour Party pack and young professionals, all kindred spirits, have been voted into a good number of top party posts.

Also, statutory measures have been taken to clip the wings of undisciplined members, officials and former ministers.

Anyone occupying party posts will now have to be confirmed by delegates every two yeara, including ministers whenever the party is in government.

In addition, a committee of vigilantes has been set up to discipline anyone stepping out of line.

The *idea* is to ensure that misbehaviour by high ranking party officials, which created the impression Labour was running a disorderly house while in government, will be promptly and harshly dealt with.

Punishment, explains Dr *Mifsud Bonnici, may* include the party withdrawing its ticket from sitting MPs or throwing out those whose transgressions show the party *in a bad light*.

"No-one wants to start any witch hunts, hut in future everyone will have to account to the party for his behaviour," Dr *Mifsud Bonnici adds*. Whether these measures alone will help the party's image

The confrontational, divisive and autocratic governing style of former premier Mr Dom Mintoff, the distrust of the judiciary, together with a series of proven constitutional breaches, all counted against the party on election day.

In this way, the Labour Government's sncessful creation of new wealth and the provision of social benefits were checkmated.

Dr Mifsud Bonnici hopes that by hringing forward a more respectahle class of labour politician and mantaining a tight grip on party discipline, his party will be looked upon more favourably when the island votes again in 1992.

Cypriot leaders seek good atmosphere

By Andrew Gowers in Geneva

THE Greek and Turkish Cypriot leaders sought yesterday to create a good atmosphere for today's resumption of Cyprus peace talks by paying each other compliments and stressing their desire to see the negotiations succeed.

Mr George Vassiliou, the Cyprus President, and Mr Rauf Denktash, leader of the breakaway state established in Turkish northern Cyprus in 1983, met separately in Geneva with Mr Javier Perez de Cuellar, the UN Secretary-General, who is to host a working lunch for them today.

This will be their first meeting, and will mark the formal relaunch of UN-led efforts to resolve the conflict over the island after a three-year break. Further encounters between the two men are also expected this week ahead of the full-scale negotiations which are due to start in Nicosia in September.

In their remarks to reporters yesterday, both Mr Vassilion and Mr Denktash were anxious to give the impression that they aim to start their talks with a clean slate.

Today's statement will steer clear of potentially troublesome details, making only an obligatory reference to the high-level agreements of 1977 and 1979 which set the *framework* for a hizonal federal republic.

The meetings between the two leaders are designed essentially to create a personal rapport for negotiations in which they are expected to be directly involved throughout.

To this end, Mr Vassiliou paid Mr Denktash a series of compliments in a rare interview with Turkish television, and Mr Denktash contrasted Mr Vassiliou with his predecessor, Mr Spyros Kyprianou, who was ousted as Cyprus president in last February's elections, and with whom Mr Denktash did not get on.

"We're dealing with a whole new equation," said Mr Denktash. "Kyprianou was a brick wall, and I understand that Vassiliou is not a wall."

However, the differences between them on issues of substance appeared to remain as great as ever. Mr Vassiliou *emphasised the paramount* need for agreemant on the withdrawal of Turkish troops from Cyprus, as demanded by the UN, and for guarantees of freedom of movement throughout the island.

Mr Denktash replied that there was no question of a withdrawal of Turkish troops *before the internationally-re*cognised Cyprus Government was dissolved.

Today's statement will set a deadline of June 1989 for conclusion of the negotiations, a date endorsed with differing degrees of enthusiasm by the two leaders.

Commission proposals on company tax would change depreciation rules

By Richard Waters

THE TAX hills of all companies operating in the European Community will be altered *significantly if* draft proposals for a directive produced by the European Commission are adopted.

The proposals, which outline how a company's profits should be calculated for tax purposes, would standardise the markedly different systems in operation across Europe.

In an introduction to its proposals, the Commission says the changes are part of a plan to remove the distortions to *investment decisions* and competition between companies created by different tax regimes.

Harmonising the tax base in different states is only one step towsrds these objectives, though. The second stage will be the far more difficult task of reducing the differences between corporation tax rates. A similar attempt to bring value added tax rates into line bas already caused political upheaval in the Community.

The most far reaching of the corporation tax proposals concerns the way in which companies set depreciation against their profits. In line with accounting rules in the fourth company law directive, assets which decline in value would have to be written down over their useful lives. The depreciation each year would then be set against taxable profits.

Companies would be forced to apply the same depreciation rates for tax purposes that they use in their published accounts, ending a division which exists in several member states, including Britain, the Netherlands and Ireland.

These rules would outlaw the use of accelerated depreciation rates to provide a tax incentive to new investment. Such inducements were phased *out in the UK after 1984 but are* still in use elsewbere, most notably in Ireland.

A further important innovation for several countries would be the ability to write down goodwill for tax purposes. This is currently permitted to varying degrees in West Germany, France and Belgium. The ability to claim tax relief on goodwill would have a significant affect on acquisitive companies in service industries which pay substantial premiums to acquire brand names and other intangible assets.

The UK drinks and hotels group Grand Metropolitan, for instance, has recently *announced its intention to* show £500m of acquired brands in its balance sheet. Under the Commission'a proposals, it would be able to write these off against tax over five years – a reduction in its taxable profits of £100m a year.

Such a radical development is likely to provide considerable impetus to the movement to allow companies to show intangible assets in their balance sheets. They would be forced, though, to write these off *against reported profits* – a move which accountants claim would distort the companies' true profits.

Technical changes in the method of calculating depreciation would also have a marked affect on some companies, depending on their current national rules. For instance, the introduction of a choice of depreciation methods will benefit French companies, since they will effectively be able to write down buildings faster than under current rules.

Other significant themes tackled include how companies should calculate capital gains or losses; how they value *stock; and the extent* to which expenses and provisions can be set against tax.

The Commission's proposals are likely to take several years to implement. Earlier draft directives for harmonising corporation tax have been pending for more than 10 years.

According to Mr John Goldsworth, a tax consultant with Coopers & Lybrand in London, the requirement for unanimity among member states over tax proposals, compared with the simple majority needed in other areas, means that the latest proposals are unlikely to see the light of day for some while – by which time market *forces* may already have forced the various national corporation tax systems and rates more into line.

The document has not yet been published, but has had a limited circulation among interested parties.

Hint of new economic freedom for Soviet republics

By John Lloyd in Moscow

MR VITALY VOROTNIKOV, a member of the Soviet politburo and Prime Minister of the Russian Federation, has foreshadowed "a completely new level of responsibility" for the governments of the Soviet republics when the political reforms are carried through next year.

His remarks, carried in the newspapers yesterday, came on the eve of mass demonstrations planned for last night in the capitals of the Baltic republics – Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania).

The demonstrations were organised to mark the 49th anniversary of the signing of the Nazi-Soviet pact in 1939 – which ultimately meant the incorporation of the republics into the Soviet Union.

Early reports by Reuters from Tallinn describe a rally of some 2,000 in the city's Hirve Park, carrying black, white and blue Estonian flags and placards with both the Nazi swastika and the Soviet hammer and sickle crossed out. Mr Lagle Parek, a local activist, told the crowd that "it is not enough to recognise the Soviet occupation of 1940: we have to restore our independence."

Mr Vorotnikov's remarks, coupled with a growing debate in the press over increasing regional economic independence, point to a government drive to decentralise power to republican and lower levels.

While this is presented as being in line with the philosophy of perestroika, or economic restructuring, it iscleariy also designed to channel growing nationalist feeling into an acceptable direction.

Mr Vorotnikov said that "for the first time for many years we are setting up the economic basis for local and regional self-government."

In an article in yesterday's edition of the newspaper Sovietskaya Kultura two Estonian economists, Mr E. Savisaar and Mr I. Raig, called for "full self-financing at republican level" so that Estonia – which is already considerably more efficient than most other Soviet republics – could specialise in the production of export goods and the acquisition of hard currency.

They said that the control of most enterprises by Moscow-based ministries had meant a distortion of the Estonian economy over which local bodies had no control, and now acted as a brake upon rapid scientific and technical development.

They sharply criticise senior managers and officials who opposed the required changes, saying that it is because they would lose their jobs.

"Therefore, it is not surprising that the idea of self-financing would be rejected by these high-paid clerks for whom the armchair in which they sit is regarded as equivalent to efficiency," they write.

However, Dr B. Shtulberg, another economist writing in the same newspaper, points out that full regional autonomy will contradict, at least in some respects, the drive to locate the seat of as many production decisions as possible in the enterprise, replacing the "dictatorship of the ministries with the dictatorship of the republics."

He says that a full blown model of economic independence would cause uneven development among republics, as some – presumably like Estonia – would surge ahead in living standards, while others fell further behind.

Mr Raig and Mr Savisaar also admit that this would happen, though for them it posed no problems.

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FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

OVERSEAS NEWS

Seoul to cut trade surplus by buying gold

SOUTH KOREA plans to increase gold imports this year to help curb its growing current account surplus and ease trade frictions with its leading trading partners, Economic Planning Board officials said, Reuter writes from Seoul.

"Imports of gold would help to reduce our current account surplus and control the money supply," one official said. He said the volume of imports had not been worked out.

S Korean car exports down

South Korea's three main car manufacturers reported they exported 52,672 motor vehicles, mostly passenger cars, in July, a decrease of 4.4 per cent from 55,324 vehicles in the same month last year, according to AP-DJ in Seoul.

The aggregate of exports between January and July also declined 5.7 per cent to 299,686 vehicles from the year-ago period's 317,970 vehicles, according to the reports. The setback was attributed to strikes which battered the South Korean car industry in months up to June.

Japan's economy resumes growth

Japan's economy is expanding steadily after a temporary halt in April and May, a senior official of the Economic Planning Agency said, Reuter reports from Tokyo. The official, explaining the agency's monthly economic report, said the economy showed almost nil growth in April and May.

The economy's growth now is supported largely by strong individual consnmption, increased capital spending and improved corporate earnings, the monthly report said.

Sudan to censor relief reports

Sudan has imposed censorship on foreign journalists after criticism abroad of government handling of flood relief aid, Reuter reports from Khartonm. Mr Abdullah Mohammed Ahmed, the Information Minister, announced on Monday night that all reports, photographs and video tapes must be submitted to Ministry of Information officials for approval before being despatched overseas.

Hotels were ordered not to allow the scores of visiting foreign journalists to transmit news items by telex unless the stories were stamped approved by the ministry of information.

Taiwan growth rate

Taiwan's economy grew at a rate of 6.7 per cent during the second quarter of 1988 compared with the same period a year earlier according to the Directorate General of Budget, Accounting & Statistics, AP-DJ reports from Taipei. The agency said the nation's real gross national product for the second quarter was NT$752.6bn (£15.5bn), an increase from NT$ 705.6bn a year earlier and from NT$731bn during the first quarter of 1988.

NZ to end subsidies

The New Zealand Government is to phase out shipbuilding industry subsidies and end import licensing for commercial vessels, Mr David Caygill, the Trade and Industry Minister said, AP-DJ writes from Wellington.

BUDGET SURPLUS PUT AT RECORD A$5.47BN

Keating optimistic about balance of payments

By Chris Sherwell in Sydney

THE Australian budget delivered last night by Mr Paul Keating, the Federal Treasurer, was his most optimistic yet, reflecting official belief that the country is close to conquering its chronic balance of payments and external debt problems.

"The nation is successfully emerging from its most severe economic crisis in a generation," he said in a televised speech to parliament promising a record budget surplus of A$5.47bn (£2.65bn).

But he added that the overall strategy remained one of restraint, and said pointedly that the Government still wanted to eradicate inflation, "Australia's number one economic disease".

Mr Keating's statement, his tenth since the Labor Party came to power in 1983, was in line with market expectations after being billed by the Government as its "best yet".

But as the Treasurer himself acknowledged, international developments – strong world economic growth since last October's sharemarket crash and a surge in commodity prices – "have been much kinder to us recently".

For the hard-pressed Australian income tax payer, who has watched the Government's coffers swell through fiscal drag while experiencing five years of wage restraint, Mr Keating promised tax cuts from July next year.

That is well-timed for the next election, due in 1990, but they will only be given as a trade-off with pay increases to be negotiated with the union movement. For upper income groups, they may also be phased in, while low and middle income groups can expect the cuts in one fell swoop.

The opposition Liberal Party and business groups last night criticised the budget for not delivering tax cuts sooner, and for continuing a slow adjustment to continuing external problems.

The budget's highlights include:

● Continued restraint in federal government spending, with a real 1.8 per cent cut to A$82bn, coupled with buoyant tax and other revenues of A$87.5bn, will give a record A$5.5bn budget surplus for the year to June 1989, equivalent to 1.7 per cent of gross domestic product.

The figure compares with an actual A$2.04bn revised surplus in 1987-88, a figure originally projected by Mr Keating one year ago at a A$27m deficit.

● A reduction in the net borrowing requirement of federal and state governments and public enterprises to zero. This will allow the net redemption of A$3bn in domestic bonds and net retirement of A$3bn in foreign debt.

● Another 9 per cent forecast improvement in the terms of trade, to give a prospective current account deficit for 1988-89 of A$9.5bn. At 3 per cent of GDP, this would be half the level of three years ago.

● A near-stabilisation of the country's net external debt as a proportion of GDP at the high level of 30.5 per cent. To reduce the burden, the government acknowledges that a further decline in the deficit is needed.

● Real growth in GDP of 3.5 per cent, after 3.6 per cent in 1987-88, but with no contribution from net exports as domestic demand continues at a strong pace. This is expected to bring a further decline in the rate of unemployment to an average 7.25 per cent from 7.8 per cent, and an increase of 2.75 per cent in employment.

● A projected 12 per cent increase in business investment, while private sector consumption holds steady at 2.75 per cent growth.

● A reduction in the inflation rate to 4.5 per cent by June 1989 from the present 7.1 per cent level. This will be helped by a 0.5 point contribution from newly-announced indirect tax changes, including an A$400m cut in beer tax, the most welcomed revenue measure.

● Asset sales of A$700m, lower than the 1987-88 proceeds of A$1.06bn. The bulk will come from the sale of surplus defence land and buildings, and from a skyscraper in Sydney's central business district.

● A series of social welfare measures targeted at those most in need, including an increase in payments under a new family income support scheme and two programmes to help disadvantaged people re-enter the workforce. The Government also confirmed new tertiary education fees, to be paid as a tax.

Mr Keating also announced the removal of two remaining elements of unwarranted regulation in banking: the abolition of the distinction between trading and savings banks, and an easing of the requirement that banks place deposits with the central bank.

The measures, he said, would enhance the efficiency of the banks and exert downward pressure on interest rates.

His speech was peppered with back-slapping superlatives describing the Government's achievements. He said that Australia's rate of job growth was unmatched in the Western world, and that no leading OECD country had reduced the size of its government sector, on such a vast scale.

Inflation was "locked well into single digits" for the first time in 20 years, and under his wages-tax plan could be reduced to 3 or 4 per cent by 1990. This, he said, would "put us back with the rest of the world, an achievement which has eluded us for a generation".

But a challenge remained. "And that," he declared, "is to prove that we can turn the opportunities of better times into solid foundations for long-lasting prosperity. . .

"If we are to avoid the mistakes of the past, we must abandon forever the myopic view that the world owes us a living and will go on bankrolling us whatever we do."

Bank rules, Page 22

Paul Keating making his budget speech in Parliament yesterday

Protesters keep up pressure in Burma

By Richard Gourlay in Bangkok

ANTI-GOVERNMENT demonstrators maintained pressure on the military-dominated ruling party in Burma yesterday in countrywide protests demanding a change in the 26-year-long one-party political system.

Hundreds of thousands of people gathered in peaceful demonstrations throughout the country demanding a return to democracy and the removal of U Maung Maung, who was chosen on Friday to be leader of the Burma Socialist Programme Party and president of the country, diplomats in Rangoon said.

Only three days after being chosen as the most likely man to placate a country alight with protest, U Muang Maung has clearly been rejected by a huge section of Burmese society as yet another party man representing a discredited system.

Doctors, lawyers, actors and singers joined the student leaders who have led demonstrations in which thousands have probably been shot dead by the army over the past two weeks, diplomats say.

"The demonstrations must be threatening the Government now," one diplomat said. The Government and its autocratic leaders are still believed to be under the control of Gen Ne Win, the man who ruled Burma since democracy was dropped 26 years ago. The government in Rangoon appears to be unprepared to concede anything substantial to what seems to be an overwhelming majority of Burmese people who oppose it.

In Rangoon demonstrators carried banners that said "we want democracy – nothing else" while others said "This is the answer to the Government's call to test public opinion" referring to a commission U Muang Maung set up on Friday to test the desires and aspirations of Burmese people.

Yet again the Government made no public statements about the demonstrations. Diplomats said the pressure may be beginning to tell on the thousands of soldiers who have been brought into Rangoon and who have had to stand by as speaker after speaker has denounced the Government they are defending.

Marshalls are emerging as a kind of street leadership for the demonstrators, who lack any kind of formal opposition structure either at home or abroad. They have given orders that the soldiers should not be provoked in the streets. Two weeks ago the army shot dead up to 3,000 unarmed demonstrators, diplomats believe.

Iran claims Iraq is preparing to attack

By Andrew Gowers in Geneva

A FURTHER cloud was yesterday cast over tomorrow's Geneva talks between Iran and Iraq when Mr Ali Akbar Velayati, the Iranian Foreign Minister, claimed that Baghdad was violating the Gulf ceasefire by massing its troops in preparation for a fresh attack on Iranian forces on the central war front.

The Islamic Republic News Agency reported that Mr Velayati had complained to Mr Javier Perez de Cuellar, the United Nations Secretary-General, who will preside over tomorrow's meeting, that an Iraqi armoured brigade had advanced between 1 and 4 km towards Iranian positions west of the Do-Viraj river, and that Iraq's 4th army corps commander had threatened to attack the Iranians unless they withdrew to the east bank of the river.

The Iraqis confirmed that they had threatened to use force to push the Iranians back.

There was na immediste confirmation from UN officials in Geneva that the complaint had been received. But in Baghdad, a spokesman with the UN's military observer group monitoring the ceasefire seemed to rebut the Iranian claim, saying the war front was calm yesterday.

Iraq, for its part, accused the Iranians of reinforcing their positions across the front from its 4th army corps near the southern town of Misan. The Iraqi news agency said Iraq told UN military observers: "If the Iranian troops are not withdrawn to their original positions, our forces will push them back by force."

Both sides have made a number of charges of ceasefire violations since the truce took effect last Saturday, but none of the allegations has been verified, and UN officials believe the ceasefire is still holding despite obvious brinkmanship by the two sides. None the less, the persistent recriminations can only complicate the task of Mr Velayati and Mr Tariq Aziz, the Iraqi Foreign Minister, when they sit down together for the first time.

If their talks on a comprehensive settlement of the war make heavy weather as expected, genuine breaches of the ceasefire – if not a complete breakdown – can be expected to result.

Angola timetable gap set to dominate talks

By Michael Holman, Africa Editor

THE spectacle of Gen Jannie Geldenhuys, South Africa's army chief, in cordial and animated conversation with Cuban officials around a restaurant table in Geneva earlier this month, convinced even the most sceptical observers that the talks on south-western Africa were making progress.

The unusual display of camaraderie in fact presaged the outcome of the Geneva talks. They produced an agreement among Angola, Cuba and South Africa on a ceasefire in Angola, and a September 1 target for the withdrawal of South African forces.

But when the talks resume in the Congolese capital of Brazzaville today, the amicable relationship between Gen Geldenhuys and his Cuban counterparts will be severely tested.

Delegates from Angola, Cuba, and South Africa, under the chairmanship of Dr Chester Crocker, the US Assistant Secretary of State for Africa, are expected to confront the single most important obstacle to a regional pact: the wide gap between the governments in Luanda and Pretoria over the timetable for the withdrawal of some 45,000 Cuban troops in Angola.

South Africa, backed by the US, has insisted that implementation of a UN plan for internationally supervised elections in Namibia is conditional on a Cuban pull-out. That must take place by June next year, says Pretoria, matching a seven-month countdown for Namibia's transition to independence, tentatively scheduled to begin on November 1.

Angola, arguing that Cuban assistance is needed to counter the threat posed by Mr Jonas Savimbi's Unita rebels, has proposed a four-year timetable, which officials privately acknowledge could be reduced to about two years.

"What now remains to be seen is whether the political will exists to bridge the gap," says Dr Crocker. Time for a settlement is running out. The three countries set September 1 as the deadline for agreement on the timetable.

Israel-PLO clash over farm marketing

By Andrew Whitley in Jerusalem

THIS TIME last year the Israeli Government was busy encouraging middle-class Palestinians living in the West Bank and Gaza Strip to set np economic associations dedicated to promoting local ontput.

They were improving the "quality of life" – a slogan borrowed from Mr George Shultz, the US Secretary of State – it was said, and thus helping preserve social order.

Twelve months later, the Palestinian *intifada* has stood that logic on its head. At a stroka, Jordan's precipitate withdrawal from the occupied territories has decapitated the Chambers of Commerce, marketing co-operatives and professional associations in tha West Bank which had always looked to Amman for support.

Headless, they have fallen prey to a contest for control starting between Israel and the PLO. Two planning meetings of Palestinian husinessmen and farmers arranged for late last week in East Jerusalem were broken up by police before they could begin.

Prominent Palestinian economists and development experts were warned by the authorities not to get involved. Their aim is the establishment of new producers' associations for dairy products and for fruit and vegetables – the staple agricultural export items from the West Bank – independent of the old, pro-Jordanian bodies.

Ideological blessing for this move has been given by the underground leadership of the uprising. A clandestine leaflet 10 days ago specifically called on Palestinian farmers to market their goods exclusively through the now banned "popular committees" set up in each locality. A so-called Supreme Marketing Council, embracing farmers and growers in both the West Bank and Gaza Strip, is being planned, for instance, in competition with the Jericho-based Association of Agricultural Marketing Boards.

Headed by Mr Taksim Faris, the latter – Israel's main negotiating partner among Palestinian farmers on snch contentious issues as exports to the European Community – is itself not even a year old. Another embryonic body, in which the Community-financed Economic Development Group run by Mr Ibrahim Matar is involved, is attempting to organise Palestinian meat and milk producers.

The Civil Administration for the occupied territories and the Agriculture Ministry in Tel Aviv are making quite clear that they will have no truck with these new bodies, even if the restrictions they impose over the coming weeks create additional, unwanted problems with the European Commission.

At a meeting on Sunday, Mr Shmnel Goren, the Civil Administration's head, and Agriculture Minister Arie Nehamkin are reported to have decided to penalise farmers who refuse to market their produce through the old network. "We will not allow hostile bodies to export in place of the normal channels," confirmed the Civil Administration yesterday.

In practice, security officials say this means that any farmer or agricultural exporter accused of association with the "popular committees" will be denied an export licence. Nor will the Agriculture Ministry recognise certificates of origin issued by bodies they believe are PLO-oriented.

Compounding Palestinian farmers' headsches as they attempt to harvest and market their summer fruit are the summary bans imposed by the army on the sale of prodnce by individual villages, in punishment for protest disturbances.

> The underground leadership of the uprising in the Israeli-occupied territories has called on Palestinians to create new "popular committees" in every town and village. This follows Thursday's hanning of the local associations by Mr Yitzhak Rabin, the Defence Minister, and the subsequent arrest of accused committee members in the Gaza Strip. "All of our people are popular committees. They are our lungs and we will never give them up," declared the uprising's leaders yesterday, through the latest clandestine leaflet being distributed in East Jerusalem and the West Bank.
>
> Half a dozen refugee camps in the West Bank and Gaza Strip, as well as the important city of Nablus, were under full curfew yesterday, following a fresh wave of unrest on Monday in which 17 people were injured. One man was reported to have died in the Jabalaya camp in Gaza, but there was no confirmation of his death from the army.

Japan has modest hopes for Peking visit

Ian Rodger considers the issues likely to be covered in Takeshita's talks in China

A FIVE-DAY official visit by a Japanese Prime Minister to China should rank among the more important events on the world diplomatic scene.

The two countries have immense potential influence in the world in general and especially in their region where political currents are beginning to flow again after several years of stagnation. Their bilateral relationship too is developing rapidly, as China becomes more open and the Japanese becoma more eager to mend the wounds of the past and help their neighbours.

Howsver, the visit of Mr Noboru Takeshita, the Japanese Prime Minister to Peking, which begins tomorrow, is unlikely to produce any startling results or initiatives. He will confirm his country's commitment to helping China's ambitious modernisation programma, offering Y800bn (£3.6bn) in loans in the 1990-95 period. Japan provides about 70 per cent of all China's bilateral financial aid. In a similar vsin, the two countries will sign an agreement providing Japanese industrial investors in China with the normal legal protections.

The Japanese Prime Minister, widely criticised for doing virtually nothing on his official visit to Britain last spring, will then embark on an ambitious two-day trip across China, spending one day visiting the famous Buddhist caves at Dun Huang on the Silk Road and then flying to the ancient capital city of Xian.

The visit is ostensibly an occasion to celebrate the tenth anniversary of the treaty of peace and friendship signed between the two in 1978, and the Japanese are relieved that, for once, bilateral relations are relatively free of tension.

Sino-Japanese relations have been troubled ever since the two agreed to recognise each other in 1972. The problems are in three areas – attitudes to the Second World War, relations with Taiwan and trade.

The trade issue blew up in 1985 when tha Japanese exploited to tha full China's market opening and scored a trade surplus of more than $5bn. The Chinese responded by slapping heavy tariffs on Japanese goods and demanding reciprocity. The Japanese retreated, and in recent months, China, now Japan'a fifth largest trading partner (Japan is China's second largest partner after Hong Kong) have been enjoying small surpluses with its eastern neighbour.

Peking has long scrutinised Japan's relations with Taiwan.

In the past couple of years, the main sore point has been a dormitory for Chinese students in Kyoto bought by the Taiwan Government in 1952. Peking claims that it should belong to China, and has not accepted Japanese court decisions against its claim. Japanese officials say that China has not raised the issue for some time, so they expect it may come up only briefly during the visit.

As for China's frequent complaints about Japan's insensitivity to its neighbours' feelings about the Second World War, Mr Takeshita will repeat a commitment that his country will never again become a military power. He may also point out that he himself did not visit the Tokyo's Yasukuni shrine this year, a memorial where many war criminals are buried. China was angry when former Prime Minister Yasuhiro Nakasone visited the shrine two years ago.

The visit will begin with a day and a half of discussions between leaders of the two countries in Peking at which the Japanese hope to concentrate on international and regional issues. "We do not know what China will raise on the bilateral side, but relations have been in good shape in the past six monthe, so we do not expect anytbing serious," an official said this week.

Japan's main interest is advancing the peace process is Kampuchea. The Japanese are working hard on the issue, seeing it as a test case of their diplomatic influence in South East Asia. However, foreign ministry officials said Mr Takeshita would not criticise the Chinese for their support of the Khmer Rouge.

The Japanese will also explore China's viaws and interests in developments in the Korean peninsula. With the democratisation of South Korea and the approach of the Olympic Games, talk of more fundamental changes in relationships in the area are in the air.

Tha Japanese would like China to recognise South Korea, and the Chinese would like Japan to recognise North Korea. In the past few weeks, the Japanese have indicated that they would respond flexibly to North Korean overtures to re-establish contacts broken following the downing of s South Korean airliner last year.

AMERICAN NEWS

El Salvador left-wingers to contest election

By Tim Coone in Managua

TWO opposition leaders in El Salvador said yesterday they would take part in presidential elections next March.

Mr Guillermo Ungo, president of the National Revolutionary Movement (MNR) and Mr Ruben Zamora, president of the Popular Social Christian Movement (MPSC), both of whom are linked to the left wing guerrilla forces, said they wanted to test the government's desire for peace in the war-torn country.

Both leaders went into exile earlier this decade following threats by death squads and the murder of other opposition politicians. Both returned to El Salvador earlier this year after the Esquipulas peace accords, in which the government committed itself to democracy.

Their two organisations form part of the Revolutionary Democratic Front (FDR), seen as the political wing of the Farabundo Marti National Liberation Front (FMLN), the guerrilla army fighting the US-backed government, although the FMLN and the FDR differ over whether to contest elections and the conduct of the war.

The FMLN boycotted last year's National Assembly elections in which the far-right ARENA party defeated the Christian Democrat party of President Napoleon Duarte.

Earlier this year the FDR formed a new grouping with a third political party, the Social Democrats (PSD) known as the "Convergencia Democratica". The three parties are expected to form an alliance for the presidential elections. Leaders of another left-wing party, the UDN (National Democratic Union) returned to El Salvador last July and an announcement is shortly expected from them on the elections.

On the military front, the army recently admitted suffering 2,000 casualties over the past year. The FMLN claims to have inflicted 3,750 casualties on the army in the first six months of 1988. The FMLN also claims the death squads make fair elections impossible. They say that in the same period security forces have been responsible for 273 murders and the disappearance of 289 opposition activists.

Quayle runs into more controversy

By Lionel Barber in Washington

Vice President George Bush's running-mate Senator Dan Quayle of Indiana returns to the campaign trail today dogged by controversy but determined to stay on the Republican ticket.

Despite vigorous endorsements by Mr Bush, Senator Quayle continued to draw fire from the American press yesterday while several Republican party leaders voiced doubts about the Vice President's choice.

The Quayle controversy has become almost the sole focus of the American presidential campaign since the 41-year-old Indiana Senator admitted last week that he used wealthy family contacts to secure a coveted place in the National Guard, thus avoiding combat in Vietnam.

It has become almost a trial of strength between the Bush campaign and the American media which is pursuing the story voraciously. It is still unclear where the sympathies of the American public lie, though Senator Quayle received a rousing reception at a Veterans of Foreign Wars convention in Chicago on Monday night.

While Mr Bush's advisers have decided to ride out the storm, buoyed by post-convention polls that show him ahead of Mr Dukakis, fresh allegations surfaced yesterday about Senator Quayle's association with a Washington lobbyist who later posed nude for Playboy magazine.

The allegations coincided with a Wall Street Journal report which said that Senator Quayle had flunked a political science course at university, one day after the accident-prone Senator said on television that he was a "proverbial C-plus student".

Mr Tommy Thomas, chairman of the Bush steering committee in Florida, said: "I think Quayle should assess and if he feels like he is hurting the ticket, he ought to be man enough to step aside."

Governor John McKernan of Maine said that when Senator Quayle's name first came up at the Republican nominating convention in New Orleans last week, he reckoned it was a mistake. "Unfortunately, I've been borne out to be right."

Governor Thomas Kean of New Jersey, who delivered the key note address in New Orleans, said: "We have yet to see whether or not he grows into the stature that the vice presidential candidate should have."

While the flap over Senator Quayle's Vietnam war record may soon subside, other embarrassing disclosures in the US press about the young Senator's past will keep the controversy alive, much as happened to Mr Gary Hart, the former Democratic presidential candidate. "He may die of a thousand cuts," said Mr Jim Bacchus, an experienced Democrat lawyer in Florida.

The Cleveland Dealer reported yesterday that the Indiana Guard that Senator Quayle joined in May 1969 had a near freeze on enlistments starting seven weeks before he signed up. He subsequently found a slot in a public relations unit.

The Los Angeles Daily News reported that two former attorneys for the one-time lobbyist Paula Parkinson said that she had told the FBI in 1981 that Senator Quayle had propositioned her during a Florida golf trip.

The attorneys said they had reviewed notes of their interviews with the FBI at the time. The FBI however later found no evidence that sexual favours had been traded for Congressional votes.

Keeping Right at America's crossroads

Deborah Hargreaves examines the political roots of staunchly Republican Indiana

MR TOM BROWN, a real estate developer in Hammond, Indiana, is in no doubt about who will get his vote in this year's presidential election. "I'm for Quayle, and a tough line on defence," he says.

Dan Quayle, Republican Senator for Indiana and George Bush's running mate in the November election stands with his fellow "Hoosiers" of Indiana with his hawkish stance on defence issues.

Mr Brown, who was planning to leave the country if the Rev Jesse Jackson had come anywhere near being elected, is typical of this rustbelt town of north-west Indiana, where trim frame houses shut gloomy steelworks and factories.

Like most of the Mid-west, Indiana is a land of smokestacks and grain elevators, with a majority of its 5m residents clustered in small, straggling towns like Hammond.

Indiana is also strong on law and order – one of Mr Quayle's themes – and is one of few states to extend the death penalty to minors. It is currently holding a 14-year old from Gary on death row for stabbing her bible teacher.

But the privileged Mr Quayle's own brand of "country club Republicanism" is at odds with the traditions of the state's predominantly manufacturing and agricultural workers. Indiana preserves a staunch Republican tradition rooted in its small-town conservatism.

"This is a state where you see people voting Republican who would certainly be voting Democrat if they were in Illinois or Ohio," says Mr Jack New, who served 10 years as a Democratic state treasurer.

Indiana lies at the heart of the Midwest, with a state motto proclaiming itself the Crossroads of America. But its firmly entrenched conservative values often set it apart from its less-decided neighbours. The state has voted Republican in every election since the war except 1964, and has elected a Republican Governor for the last 20 years.

"Here you don't really have a choice between a conservative and a flaming liberal," says Mr New. "It's all either conservative or more conservative." Even Democrats are forced to run very conservative campaigns and their candidate in the gubernatorial race, Mr Evan Bayh, is a Democrat who is running a campaign centred around efficient government and a pledge to keep taxes low.

Mr Bayh, as the son of long-time Democratic senator Birch Bayh (who was voted out in 1980 in favour of Mr Quayle), enjoys considerable personal prestige. He is tipped to be voted in as Governor this autumn.

Dan Quayle: rustbelt Republicans in his home state

Indiana is a state at the centre of the rustbelt, with one fifth of the nation's steel produced in its north-west corner, and a strong motor parts industry linked to Detroit in the north-east. These regions were threatened with near-desertion in the industrial retrenchment of the early 1980s, but are now booming again on the back of a lower dollar and a manufacturing revival.

Nevertheless, although some laid-off workers are back in the blast furnaces, the rustbelt is run on a slimmer workforce than before. Unemployment in Gary remains stuck at 8 per cent – above the state's average of 4.5 per cent and the national average of 5.4 per cent. The once-strong steel unions have lost their grip and many smaller plants are using non-union labour, undercutting the traditionally high wages of the steel industry.

The state has seen its population drop in recent years as workers have headed south for jobs. This reverses the trend of the last century, when migrants flocked to Indiana from Kentucky and the Carolinas, bringing with them conservative traditions. "What many people forget is that the southern third of this state is an extension less of the Midwest than of the South," comments Mr Tim Tilton, vice chairman of the Bloomington County Democratic party.

The Southerners brought with them strong evangelical beliefs, and an influential Bible Belt nestles in the rolling cornfields of southern Indiana. A controversial issue in this year's gubernatorial race is a referendum on the legalisation of gambling with the introduction of a state lottery, which is expected to mobilise many Religious Right voters.

The strong Republican party organisation and tradition of patronage have helped mould Indiana's values in recent years, and even Mr Tilton admits that the Democratic party has been "lethargic".

"There is a great fear in this state of government becoming too large," says Professor Russ Hampton, in the political science department of Indiana University. "It's really a carry-over from 19th century attitudes; a lot of Hoosiers take pride in the fact that they don't take advantage of the federal money available to them."

For this reason, government in Indiana is run on a shoe-string. Successive Republican administrations have put a priority on attracting new industry to the state, particularly offshoots of the car industry, as well as keeping unemployment and taxes low. However, little has been spent on the state's infrastructure and notoriously poor education system.

The southern part of the state, with its undulating cornfields and picturesque courthouses, has been blighted this year by the Midwest drought. As shrivelled crops have been abandoned by sweating farmers, the Democrats have tried to capitalise on feelings of irritation at any delay in federal drought relief. But the farm vote is expected to remain true to its Republican tradition.

Mr Bob Thrasher, who owns a 500-acre cattle farm just outside Bloomington, is a committed Democrat, and won't talk to any of his fellow farmers about politics because of their strong right-wing views. "But we're all worried about the drought, the heat and this greenhouse effect," he says.

Despite the heat, there appears little chance of Indiana warming to Mr Thrasher's views.

Political killings raise heat of Mexico poll row

By David Gardner in Mexico City

THE process of reviewing Mexico's disputed election results faced further hold-ups yesterday, after the murder of four students linked to the left-wing opposition.

The four young men were shot dead in their car in a working-class district of Mexico City, in a similarly professional style to the election eve assassinations of two close aides to Cuauhtemoc Cardenas, the left-wing nationalist leader.

The car, fitted with a loud-speaker, belonged to the left-wing activist father of one of the students, and had been used to mobilise protest in his district against the official results of the July 6 elections.

These gave victory to Mr Carlos Salinas de Gortari, the Institutional Revolutionary Party (PRI) candidate but their veracity is being contested by both the Cardenas coalition and the right-wing opposition.

In Congress the PRI and opposition are at loggerheads in reviewing congressional results district by district, prior to constituting themselves formally as the Electoral College, which must ratify the presidential election.

The PRI, as things stand, could win only 260 seats against 240 for the opposition. Opposition leaders say they are prepared to let through without debate all but 30 or 40 cases where ballot rigging is suspected.

On Sunday night, there was an uneasy stand-off in Congress between army troops and opposition deputies, who tried unsuccessfully to gain access to the ballot boxes, kept under armed guard in the basement of the Chamber of Deputies.

Mr Porfirio Munoz Ledo, the former PRI president and chief Cardenas strategist, warned yesterday that, unless the election was "cleaned up" the opposition would delay the Electoral College until December 1, when Mr Salinas should be invested as president.

Venezuela court orders arrest of tyre executives

By Joe Mann in Caracas

A Venezuelan criminal court ordered the arrest of the chief executives of the country's three major tyre manufacturers for raising their prices by 25 per cent without government permission. The order is unprecedented.

The presidents of the Venezuelan subsidiaries of Firestone and Goodyear, as well as the top executive at Neumaven, a tyre producer owned by Venezuelan investors, were accused of "price speculation" in an action initiated by the Government's Superintendent of Consumer Protection. Under Venezuelan law, individuals who sell "prime necessity items" at prices higher than those authorised can be sentenced to jail for between six and 30 months.

This action, coming at a time when the current Government is trying to promote new foreign investment, is seen by businessmen as a major official blunder. One foreign executive commented: "This type of arbitrary move makes Venezuela look very bad to international investors, and makes me think twice about recommending any new investment here."

The Administration, led by President Jaime Lusinchi, will end its five-year term next February and is trying to slow price rises during its last months. One press report said that the arrest warrants were meant to be a "lesson" to companies raising prices without official approval.

The tyre incident follows a recent action by another court that also caused negative reactions among Venezuelan and foreign investors alike. A mercantile court ordered the Venezuelan subsidiary of Owens-Illinole, the American glassmaker, to sell a specific share of its output to a buyer at prices defined by the court.

WORLD TRADE NEWS

Ford predicts job cuts to compete with Japanese

By John Griffiths in London

FORD of Europe still has a long way to go to match the productivity of the world's most efficient – mainly Japanese – carmakers and will need further cuts in its work force, according to Mr Alex Trotman, its new chairman and chief executive.

The action is being foreshadowed by Mr Trotman despite Ford of Enrope having cut employment by 40,000, to 100,000, since 1979 and its output of vehicles having risen slightly from 1.7m that year to a forecast 1.8m in 1988.

Mr Trotman, in an interview with the Economist Intelligence Unit*, said that Ford had not drawn up a firm job cutting programme. "It might be zero cutback for a couple of years or 6 per cent in one year, depending on how the workload goes."

"It will be necessary to become considerably more productive than we are today if we are to remain competitive with the best companies in the world," he warned.

British-born Mr Trotman, 54, who had been Ford of Europe's president since 1984 before taking over the chairman and chief executive's role in March, said that Ford was committing a further $1bn in quality-related investment over the next five years in addition to $1bn a year already scheduled in capital investment.

However, he ruled out any completely new prodnction facilities for them. "The investment we have in mind for capacity increases is all within the walls . . . we don't have any new plant in mind".

Mr Trotman dismissed suggestions that the strength of the D-Mark would lead to Ford shifting its production plans in favour of lower-cost countries snch as Spain – where, for example, Volkswagen now produces the Polo model having bought the Seat group.

West Germans were already waking up to the fact that the country had become too expensive, said Mr Trotman, and they would soon respond to that realisation "strongly."

**European Motor Business, quarterly from Economist Intelligence Unit, PO Box 1DW, 40 Duke St, London W1A 1DW. £225 or $445 p.a*

Australian group to build latex plants in Sri Lanka, Thailand

By Chris Sherwell in Sydney

PACIFIC DUNLOP, the Australian-based multinational indnstrial gronp, yesterday announced it would spend A$70m building two new factories in Sri Lanka and Thailand "to meet strongly rising world demand for latex products."

Through its Ansell rubber products division, the group is the world's largest supplier of surgeon's glnves, medical examination gloves and condoms. It also has nearly 10 per cent of the world market for balloons.

The new factories are designed to maintain Ansell's position in these markets, which are expanding principally because of the worldwide AIDS scare.

Pacific Dunlop said the Sri Lankan facility, to be built near Colombo, would be producing gloves and condoms by the end of next year and would employ 1,000 people at full capacity.

The decision, a sign of confidence in the strife-torn country, was made because of Colombo's good port facilities, the factory's location in an export zone and cost attractions, Pacific Dunlop said in a statement.

The Thai factory, located next to Ansell's existing facilities near Bangkok to promote economies of scale, is to be the group's main international balloon production centre.

Separately, the group also announced plans to consolidate its balloon packaging and printing operations for the US market at Ansell's existing facility in Juarez, Mexico.

It will employ balloon-making technology developed by a Los Angeles company Pacific Dunlop acquired last year and will enable Ansell to increase its balloon capacity by more than 100 per cent within 12 months and to quadruple it within three years.

Swiss engineering sees rise in orders

By John Wicks in Zurich

SWITZERLAND'S engineering industry had an unexpectedly good first half, according to the Swiss association of machinery manufacturers (VSM). Orders received by 200 member companies were up 13.4 per cent on the corresponding 1987 period to a total of SFr10.6bn ($6.6bn).

Although new business was lower in the second quarter than in the preceding three months, VSM said yesterday that the "positive trend" had continued despite earlier fears.

Swiss metal and machine-building companies maintained their strong position on world markets, export orders rising by as much as 16.5 per cent in the first half to SFr6.6bn.

With domestic orders up 8.5 per cent to SFr4bn, orders in hand rose by 2 per cent over the year to SFr16bn. This means that manufacturers had an overall backlog corresponding to 7.2 months' production, compared with 6.8 months a year earlier.

Dr Martin Erb, VSM director, said the international market had proved more resistent than had been feared after last October's stock-market crash and the subsequent weakening of the dollar.

Reagan signs Trade Bill and backs Bush policies

US President Ronald Reagan signed into law a sweeping overhaul of US trade rules yesterday, offering some political credit for the tongher trade stand to Mr George Bush, the Republican presidential candidate, Reuter reports from Long Beach.

Speaking to a large audience nf dockworkers and dignitaries at this busy port city south of Los Angeles, Mr Reagan said revised laws were necessary to break down protectionist trada barriers and block "international thievery" of American ideas.

"And yet this bill is just the latest step in that effort, which began the first day [Vice-President] George Bush and I entered office and has already opened vast markets to American prodncts all around the globe," Mr Reagan said.

"It hasn't been easy, but I have never doubted nur ultimate victory, because we are riding a global wave."

The trade law represents more than three years of work by Congress to craft rules of retaliation against countries believed to maintain unfair barriers to US exports. The Senate gave its final assent to the Trade Bill on August 3.

There was broad bipartisan support for stiffer rules to cut US trade shortfalls – a record $171bn in 1987. A principal architect was Mr Lloyd Bentsen, the former Senate finance committee chairman who is now the Democrats' vice-presidential nominee. The US trade shortfall for 1980, the last year before Mr Reagan took office, was $31.4bn.

Countries including Japan, Taiwan and West Germany are among the evident targets of the new trade laws, which have stirred widespread resentment and criticism from abroad. US trade officials will be nbliged to name countries that run persistent large trade surpluses by using questionable trade tactics. The officials then must seek voluntary improvements and retaliate if negotiations fail.

Mr Reagan said that the US in the future would "insist on standards of fair play," including identifying and acting against countries that make and sell goods in the United States which copy American technology.

EC to visit S Korea to ease tensions

By William Dawkins in Brussels

MOUNTING trade tensions between the European Community and South Korea will be at the top of the agenda when an EC delegation meets senior ministers in Seoul next month.

Mr Willy De Clercq, European Commissioner for External Relations, will lead the EC team in the fifth annual high level talks with Korea between September 13 and 16. Among the sensitive bilateral issues for discussion will be EC allegations that its companies are meeting unfair South Korean trade barriers like high tariffs, trading licences and a restrictive import surveillance system.

South Korea is meanwhile accused of directing its exports to the EC like a laser beam, aiming at sensitive sectors like microwave ovens and video recorders and selling at artificially low prices. As a result, the EC trade deficit with South Korea rose to a record Ecu2.6bn (£1.7bn) last year, up from Ecu572m in 1985.

Mr De Clercq is also expected to repeat appeals to South Korea to cnt shipbuilding capacity and to raise prices. He will remind Seoul that the EC's patience is wearing thin at its continued refusal to join international efforts to restructure shipbuilding.

Another sore point is the EC's claim that its companies' patents are allowed inadequate legal protectinn in Snnth Korea, compared with that afforded to their US competitors. Brussels last year withdrew the trade privileges allowed to Snnth Korean exporters to the EC under the generalised system of preferences, in retaliation for Seoul's refusal adequately to improve patent protection for European businesses.

The Commission also believes the Snnth Korean authorities are discriminating unfairly in favour of US insurance companies operating in the country.

The Commissioner is to meet the South Korean trade and industry and foreign ministers, as well as President Roh Tae Woo, with whom Mr De Clercq is expected to discuss hroader international issues.

These are expected to include the Uruguay round of talks in the General Agreement on Tariffs and Trade, in which Seoul wants to play a more prominent part, relations with Japan and the US, and East-West relations.

Seoul looks for fair play from EC

Maggie Ford and **Caroline Dewhurst** report on worries in S Korea

CONCERN is growing in South Korea that it is becoming the victim of a European Community plan designed to restrict imports, particularly electronics.

Reports that the EC Commission plans to impose dumping margins of up to 30 per cent on South Korean-made video tape recorders have also heightened worries that investigators looking into the allegations of dumping are not behaving in a fair manner.

Three South Korean conglomerates, Daewoo, Samsung and Goldstar, have voluntarily suspended exports of VTRs and colour television sets for the past month in advance of the EC ruling expected shortly.

The suspension follows a surge of VTR imports in the first half to 700,000 units, against an expected total for the whole year of 830,000. Exports to the EC of VTRs were worth $317m last year, and have risen sharply since 1985 when exports totalled only 74,000 units.

The export surge, which has clearly sharpened European perceptions that the South Koreans are engaging in dumping, appears to hava resulted from currency calculations. Earlier in the year, in line with government policy to diversify exports from the US which last year ran a trade deficit of $9.8bn with South Korea, manufacturers developed new markets in both Europe and Japan.

They calculated, correctly as it turned out, that the South Korean currency would appreciate against European currencies and the yen in the second half of the year. This prompted a rush of shipments in the first half which coincided with hnoyant European demand, cutting into the market share of both Japanese and European companies.

Tha action against VTR imports is one of eight anti-dumping suits pending against South Korean companies. The others involve microwave ovens, small screen colour TVs, videotapes, polyester film, polyester yarns and oxalic and glutamic acids.

A complaint about footwear exports, mainly to Italy, appears to have been set aside following a voluntary restraint agreement. The EC recently upheld its first complaint in the services industry, against a South Korean shipping line.

Pressure against South Korea appears to have escalated since the Asian country's products started to threaten market share held by European manufacturers such as the electronics giant Philips, rather than simply reducing the share of less competitive Japanese imports.

Companies in Seoul are concerned that European companies and officials regard South Korea as a "second Japan," intent on gaining market share at any price. They note that their products have a higher profile in Europe than similar products from other newly industrialised countries such as Taiwan or Hong Kong because they are marketed under the South Korean companies' own names.

The companies say, however, that a number of differences exist between Japan and South Korea both in the nature of their internal economies and in their export strategy. These differences, they believe, may not yet be fully clear to European officials.

One difference relates to the method of determining dumping margins, under which investigators compare the export price of a product as it leaves the factory with the local price as it arrives at the retailer, before taxes.

The size and complexity of the notorious Japanese distribution network, where layers of middle men take their cut, means that dumping margins are almost a foregone conclusion. But the South Korean distribution system is quite simple and results, exporters say, in a domestic price that may be little different from the export price.

In the case of a Daewoo middle range VTR for instance, the South Korean domestic price is won 243,000, jumping to a retail price of won 365,000 when VAT, consumption and defence taxes are added. Daewoo said the export price of the VTR varied between European countries. If the VTR had to be equipped for the PAL TV system used in some European countries, its export price would be higher than tha domestic price.

He said thet it would be unprofitable for Daewoo to export VTRs to Europe at prices 30 per cent below European levels and the company could not afford to do this to gain market share. Lower wages and tighter budgets may also contribute to lower domestic prices than in Japan.

One foreign consultant close to the issue said an EC investigation in 1986 following dumping complaints over microwave ovens found margins that were so small that the outcome of the investigation has never been officially disclosed.

"It is difficult to see how the EC could find dumping margins as high as 30 per cent for VTRs," he said. "The companies should ask for the calculations to be revealed if the ruling is confirmed."

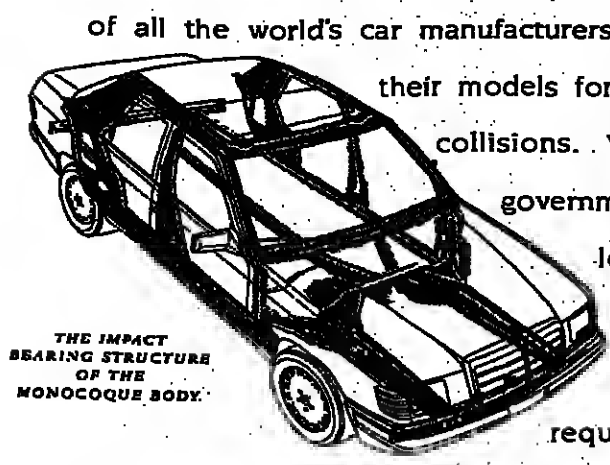
One result of that investigation, however, has been a series of announcements by South Korean producers setting up factories in Europe. The companies decided several years ago that their strategy in Europe should be different from that pursued in the US, where simply exporting goods had invited protectionism. South Korean companies have now set up or announced plans for nearly a dozen European factories.

They have not so far attracted attention under the new EC "screwdriver" legislation, which affects companies importing parts for local assembly, mainly because many of the factories are still at the stage of being set up.

Unless a better understanding develops between Seoul and Brussels, aggrieved feelings may develop into more than arguments about dumping margin calculations, affecting the long term interests of both sides.

Mercedes-Benz design their cars for the accident that happens most

It is a surprising fact that only Mercedes-Benz, of all the world's car manufacturers, routinely test their models for off-set frontal collisions. Why? Because government crash test legislation demands that car makers meet requirements only for 100% head-on collisions – so that is the routine they all follow. Except Mercedes-Benz.

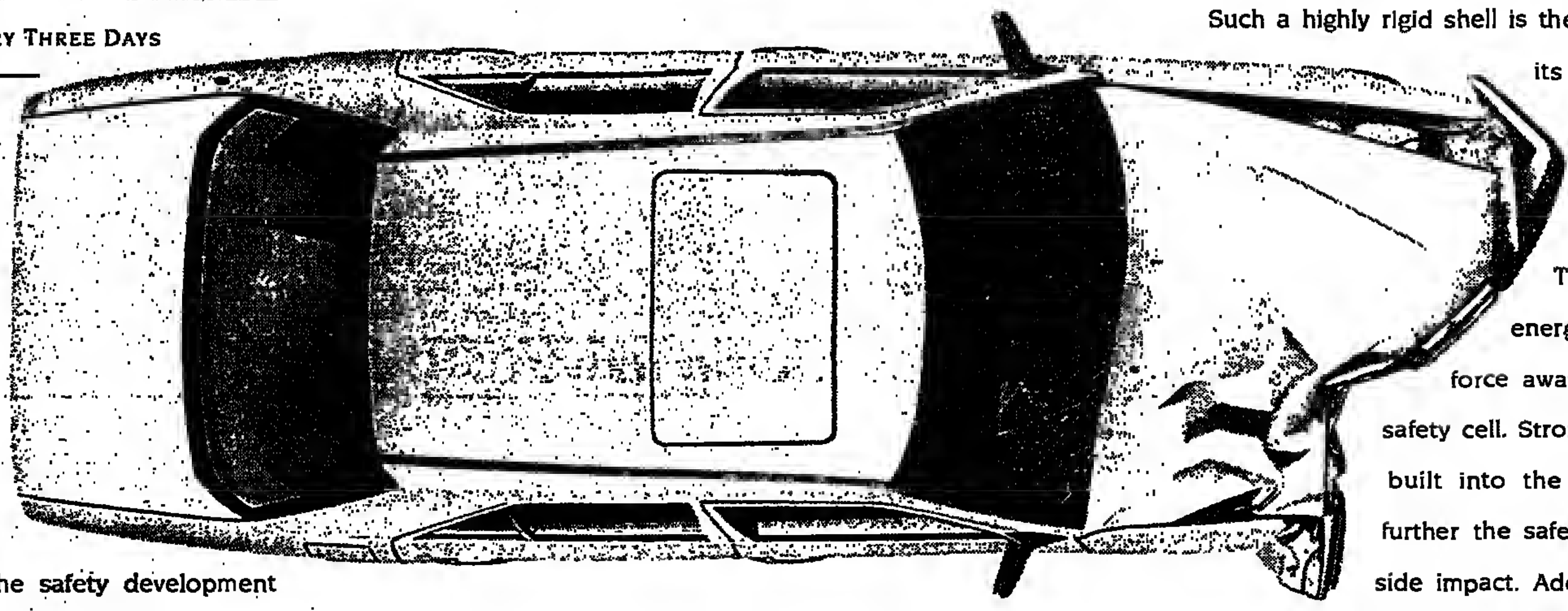


THE IMPACT BEARING STRUCTURE OF THE MONOCOQUE BODY.

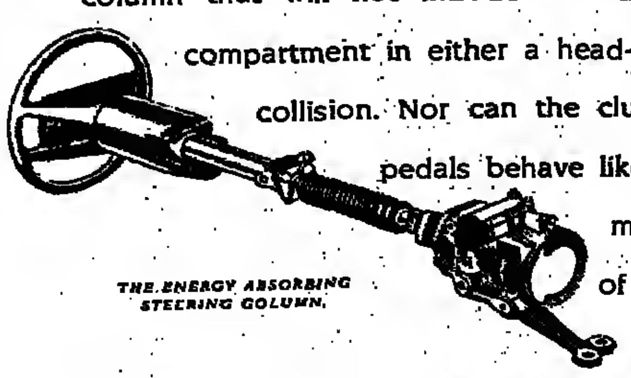
Their research shows that in Germany, for example, 40% off-set frontal collisions happen three times more frequently; so Mercedes-Benz design briefs demand that all chassis and crumple zones be tailored specifically to disperse the unique stresses of both types of collision. Which means impact energy is absorbed progressively and displaced into forked longitudinal members mounted onto extremely rigid sidewall, floor pan and transmission tunnel structures. The energy is therefore diluted by being transmitted and absorbed in three different directions.

A Crash Test Every Three Days

Mercedes-Benz conduct a crash test every three days, on average. Because safety research is an integral part of the Mercedes-Benz design process, many tests are conducted on components and prototypes prior to full scale production of a new model. Consequently, the safety development team are well placed to impose their priorities on the fundamental design of a car. Today's Mercedes-Benz models are the most thoroughly tested and safest the company have ever built.



The Mercedes-Benz safety steering system, as an example, is fitted with a distorting cup within the steering wheel, and a collapsible, corrugated column that will not intrude into the passenger compartment in either a head-on or off-set collision. Nor can the clutch or brake pedals behave like blunt instruments. Because of the likelihood of severe accident injuries to the feet, the pedals are designed to swing away from the driver on impact.



THE ENERGY ABSORBING STEERING COLUMN.

The Fathers Of Automotive Safety

The history of Mercedes-Benz safety consciousness dates from 1931 when they developed independent front suspension to ensure safer roadholding. And as long as thirty-seven years ago, long before "crumple zone" and "safety cell" became part of car industry jargon, Mercedes-Benz patented the first impact-absorbing body shell. But rather than protect the patent in their own interests, Mercedes-Benz allowed it to be infringed in everybody's interests, so other car makers could incorporate the idea into their own body designs. A gesture that speaks for itself.

In 1959, Mercedes-Benz became the first manufacturer to systematically crash test and roll-over test their cars. In that year, 80 were destroyed in the search for greater passenger security. Since then, no car maker has placed greater emphasis on crash testing, and many others reap the benefits simply by adopting the results of Mercedes-Benz pioneering research.

SCIENTIFIC CRASH TESTING, CIRCA 1959.

State Of The Art Safety Cell

Computer-aided engineering, combined with extensive use of high strength, low-alloy steel, ensures that Mercedes-Benz monocoque body shells are not only light, but are also outstandingly strong. Such a highly rigid shell is the basic safety element, its front and rear sections designed to yield progressively in major accidents. They absorb kinetic energy and divert the full force away from the passenger safety cell. Strong cross-members are built into the floor pan to stiffen further the safety cell's resistance to side impact. Additional single section roof frame cross-members enhance the total load bearing capacity of the roof in front, side and roll-over impacts.

How The Use Of Air Can Reduce Injury Risk

All inertia-reel safety belts fitted to the front seats of Mercedes-Benz cars, have electronic belt tensioners as standard. Above a predetermined level of impact, the tensioner is activated and pulls the belt taut around the body in milliseconds, reducing forward movement of driver and front seat passenger. Above certain speeds, however, impact injuries can still occur no matter how sophisticated the seat belts are. Therefore, Mercedes-Benz also offer an electronically controlled airbag that is neatly stowed in the steering wheel hub. This innovatory safety feature has been available since 1981 and is already fitted to 400,000 Mercedes-Benz cars. A normally invisible guardian, it inflates in milliseconds, under impact, to cushion the driver's head and greatly reduce the risk of chest injuries. Further proof that the Mercedes-Benz commitment to safety is uncompromising, unchallenged and continues unabated.

FROM IMPACT SIGNAL TO INFLATION IN 25 MILLISECONDS.

Engineered Like No Other Car In The World.

Army to scrap special car plates in security move

By Tom Lynch in London and Our Belfast Correspondent

THE Ministry of Defence said yesterday that the distinctive car number plates used by British service personnel in West Germany were to be scrapped in a move to protect off-duty service members of the armed services and their families.

The measure has emerged from the British Government's emergency review of security in the province after the bombing on Saturday which killed eight soliders, wounding six critically, and the death on Monday of a navy recruitment officer in a Belfast car bombing.

Mr Tom King, the Northern Ireland Secretary, was locked in talks with senior security advisers in Belfast yesterday, but was expected to fly to London today or tomorrow for a meeting with Mrs Margaret Thatcher, the British Prime Minister.

Mr King spent most of the day in protracted discussions with aides at Stormont Castle, in a bid to finalise a package of measures in response to the recent wave of terrorist murders in the province, the UK mainland and continental Europe.

IRA gunmen are thought to have used the military number plates to pick out and kill a serviceman in plain clothes in the Belgian channel port of Ostend earlier this month. The plates were thought to have been a factor in other attacks on off-duty British soldiers in Europe.

Mr Archie Hamilton, the junior armed forces minister, said standard British number plates would be fitted to the 95,000 vehicles belonging to service personnel and British civilian support staff. This would cost up to £2m.

Army sources acknowledged that British-registered cars parked outside clubs, bars and restaurants in non-tourist areas of Germany would still stand out.

For the past few days, Mr King and his advisers have been considering options to put before the Prime Minister.

These measures include the deployment of extra troops in Ulster, an end to suspected terrorists' right to silence, and the removal of Provisional Sinn Fein, the IRA's political wing, from political influence by speeding up proposals to require election candidates in Northern Ireland to take an oath renouncing all forms of violence.

Sinn Fein has one MP - Mr Gerry Adams, who has not taken his seat at Westminster - and several local councillors. Pressure for a ban on the party has been resisted in the past in the grounds that it would be hard to enforce and another front organisation would be easy to form.

Sinn Fein has already said it would take steps to avoid being trapped by any new laws. Although internment without trial, which is being demanded by Ulster Unionists, does not appear to be a likely course of action, Sinn Fein said republican activists were drawing up contingency plans to counter it.

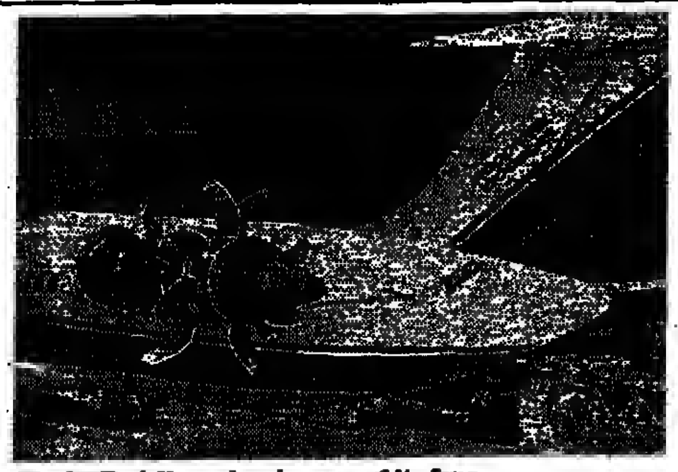
Mr Adams, the party president, said he understood republicans were treating the internment issue seriously. "Some of the people opposing internment do so on the grounds that they believe republicans would like it. They should be opposed to it because it is wrong and has been discredited."

Instead of starting a security review after the murder of eight British soldiers near Omagh, County Tyrone, on Saturday and the murder of a naval recruiting officer on Monday, Mr Adams, the Government should have carried out a political analysis of the situation.

The man killed on Monday was named yesterday as Lt Alan Shields, aged 45, from Ayrshire, the first naval officer murdered in Northern Ireland.

Farnborough prepares arena for 'propfan'

By Michael Donne, Aerospace Correspondent



The UHB airliner showing one of its fans

THE WORLD'S first airliner using the revolutionary "prop-fan" engine arrived at the Royal Aerospace Establishment at Farnborough, west of London, yesterday. It will be shown there at the international air show from September 4 to 11.

The aircraft comprises a US McDonnell Douglas MD-80 airframe with one of its two conventional jet engines replaced with a General Electric GE-36 prop-fan engine.

Although it has been extensively flight tested in the US this summer, at Edwards Air Force Base, California, this is the first time it has been flown outside the US.

The aircraft arrived at Farnborough after a flight of more than 12 hours. It flew in easy stages from Edwards Air Force Base, via Minneapolis, Gander (Newfoundland), and Keflavik (Iceland).

It will stay in the UK for the next two to three weeks. Specially-invited airline executives will be given demonstration flights in the aircraft before it is shown to air-show visitors for the first time.

After that the aircraft may go on to Western Europe before returning to the US, for further flight testing.

The prop-fan harnesses a new type of propeller, shaped more like a ship's screw than conventional propellers, to a redesigned gas-turbine engine, without a gear-box.

The result, it is claimed, is a power-plant that not only is much quieter than conventional jet engines, but also offers lower pollution as well as savings of up to 25 per cent in fuel consumption, while driving the aircraft at near-jet speeds.

The aircraft now at Farnborough is called a "technology demonstrator", designed solely to flight-test the engine-airframe combination. Although it has some seats in its passenger cabin, most of the space is given over to flight-test instruments.

When McDonnell Douglas and General Electric are both satisfied that they have cleared all possible snags, they will launch the venture into quantity production.

At that point, the aircraft will be called the MD-91, designed to seat up to about 100 passengers, for short- to medium-range flights.

Both companies are now discussing their plans with the world's airlines, in an attempt to win launch orders, especially from airlines seeking new types to replace their existing ageing fleets of 100-plus seaters, such as UK-built BAC 1-11s and older versions of the Boeing 737 and 727 airliners.

Later this year or early next, the same McDonnell Douglas airframe will be used to flight-test another prop-fan engine, the 578DX built by PW-Allison, a joint company formed by Pratt & Whitney and Allison Division of General Motors, both of the US.

Row over 'class' definition splits UK Communists

By Tom Lynch

GLASNOST, which struck this year's Soviet Communist Party Congress, yesterday arrived at the City of London headquarters of the party's British cousin.

A press conference to present a policy discussion paper was peppered with arguments between the hard-line and revisionist factions of the British Communist Party. Even one of the journalists joined in.

A reporter from the Morning Star, the daily newspaper which is controlled by a hard-line faction which was expelled from the British Communist Party in 1985, accused the document's authors of rewriting the definition of social class.

With little sadness, the reporter informed them: "You have got yet another serious ideological split on your hands."

Journalists were at one point treated to the spectacle of Mr Gordon Maclennan, the party's general secretary, who presided benignly over the document's launch and the accompanying squabbles, dissociate himself from a key passage of the very paper he was presenting.

The document is billed as the first stage in redrafting the party's programme, called the British Road to Socialism, and the section dealing with class is bound to provoke, at the very least, a significant row.

It dismisses the classic communist picture of a ruling class which controls the means of production and which is ranged against a class of the waged, arguing instead that a "swathe" of workers now controlled a "productive asset" such as skill, and that they were therefore in "contradictory class locations."

This was too much for the Morning Star's man, who challenged the definition of class.

This provoked a roughly equal split between hard-liners and revisionists among the six members of the eight-strong drafting committee who were present.

It also put Mr Maclennan in a difficult position. His genial smile did not flicker as he said he "would have to be convinced about some of the formulations," especially if the authors had been suggesting that skilled workers were no longer members of the working class.

Ms Bea Campbell, also a journalist and from the revisionist camp, admitted that the definition was indeed complex, but argued that it took account of the political lessons learnt over the past 20 years.

However, Mr Monty Johnstone, a hard-liner, described it as "confused and un-Marxist."

It was "extraordinary," he said, to argue that skilled workers had never been working class - society was fundamentally divided between the workers and those who owned the means of production.

Such was the argument over class that the economic section of the paper passed almost unremarked, although it acknowledges the role of markets and includes proposals such as the introduction of a social capital stake for all 18-year-olds and the opening up sections of state monopolies to competition.

When Mr Maclennan made clear that the party would not be influenced by the Morning Star any more than by other "media commentators," the paper's representative was stung to respond that the paper overturned, rather than continued, the British Road traditions and issued his warning of a split.

Such dangerous talk unified the comrades - even those who disagreed with the document saw it as forming part of a healthy discussion, a concept which is familiar to students of [illegible] left-wing groups in Britain.

For Mr Maclennan, the document carried forward the party's tradition of "creative Marxism."

Pausing only to dissociate himself from Mr Maclennan, Mr Johnstone insisted that discussion was healthy and told the errant scribe: "The idea that it constitutes a split is completely ridiculous."

Facing Up to the Future, Published as insert to Marxism Today, £1.20 from newsagents and bookstalls.

The cost of shutting off disaster in the North Sea

Max Wilkinson looks at possible remedies after the Piper Alpha accident

EVER since the gas explosion that ripped apart the Piper Alpha platform in the North Sea last month leaving 167 people dead, the oil industry has been anxiously waiting to discover the cost of the extra safety measures it will have to put in place. Because the sum might be enormous, the industry has also debated intensively about what measures it considers feasible - and sensible.

Some of the more radical proposals, such as insisting that men and machinery are housed in separate living quarters, will doubtless depend on the report of the full inquiry into the disaster, which may not be completed until late next year.

However, the general outline of what happened is now fairly well known in the industry, and ministers are anxious to press ahead speedily with the more obvious remedies. This is expected to be the burden of an announcement later this week, asking the oil industry to submit proposals for fitting extra safety valves to gas lines at a cost of several hundred million pounds.

Whatever the initial cause of the Piper Alpha explosion, it is clear that the inferno was fuelled by huge quantities of natural gas from one of the three pipelines connecting into the platform.

To prevent such an accident, all natural gas pipelines are fitted with an automatic valve where they enter the lower deck of the platform. That should shut off the gas automatically in an emergency, or if electric power is lost. But what happens if a valve sticks or is blown apart, as seems likely at Piper Alpha?

In many of the larger North Sea platforms, there is no secondary line of defence, and nothing to stop the gas contained in 20-50 kilometres of pipeline pouring into the breach. Eventually an operator on shore or on another platform would close a valve, but that would not prevent the gas already in the pipeline from fuelling the fire.

Such a danger has long been recognised in the oil industry, but until recently technology was not considered reliable enough to deal with it. The obvious answer would be to place a very large automatic valve in the pipeline on the seabed. But valves some 400ft under water are almost impossible to maintain and have proved erratic.

There is now a fierce debate within the industry whether the technology has become reliable enough to allow fitting of underwater valves. Shell has been testing such equipment with some success, but other operators fear the valves could lead to expensive losses of production if they jammed shut and would be a safety hazard if they jammed open.

The Department of Energy appears determined to accelerate the debate on the use of this equipment. The undersea valve can cost £3m-£4m to install in each line, not counting the cost of lost production during the modification, which could be a similar amount, at least in the deeper waters of the northern North Sea.

Although a few million pounds is by no means prohibitive for a North Sea operator even in these straitened times, the cost for the whole sector would be large. For 30 to 40 gas valves in the northern and central sectors at perhaps £6m each the cost would be of the order of £200m.

Even so, some industry experts say that after the horrors of the Piper Alpha disaster these measures would not be enough. That is because an undersea safety valve would have to be sited some distance from a platform, for an underwater rupture could be highly dangerous anywhere near a platform.

However, that means that if a fire started on the platform, a full kilometre of gas would be available to fuel the fire even after the valve shut down.

It is partly because the industry is still debating the best solution, and partly because all platforms are different, that the department's directive is likely to ask for solutions rather than laying down requirements. However, the industry knows that in the end it is going to have to lay out a lot of money.

Knole copes with towering losses

Alice Rawsthorn visits a rambling but repaired English stately home

MR RICHARD Wakeford, administrator at the country house of Knole, is infuriated by the lack of interest exhibited by some tourists. One party of Americans emerged after four minutes in the enormous house, only to be sternly told to return and "look around properly." When they eventually finished they were so enthusiastic about Knole that they, and their chauffeur, joined the National Trust on the spot.

Time is important at Knole. The house, so the story goes, was built with a temporal harmony. This dictated that it had seven courtyards, one for each day of the week, 52 staircases, for every week in the year and 365 rooms, for each day of the year.

The story is probably apocryphal. Like most of the great English country houses, Knole was built over several centuries from the 1400s, not in one grand design. There are certainly seven courtyards. But the rooms and staircases have never been counted because there are so many and because no one wants to spoil the story.

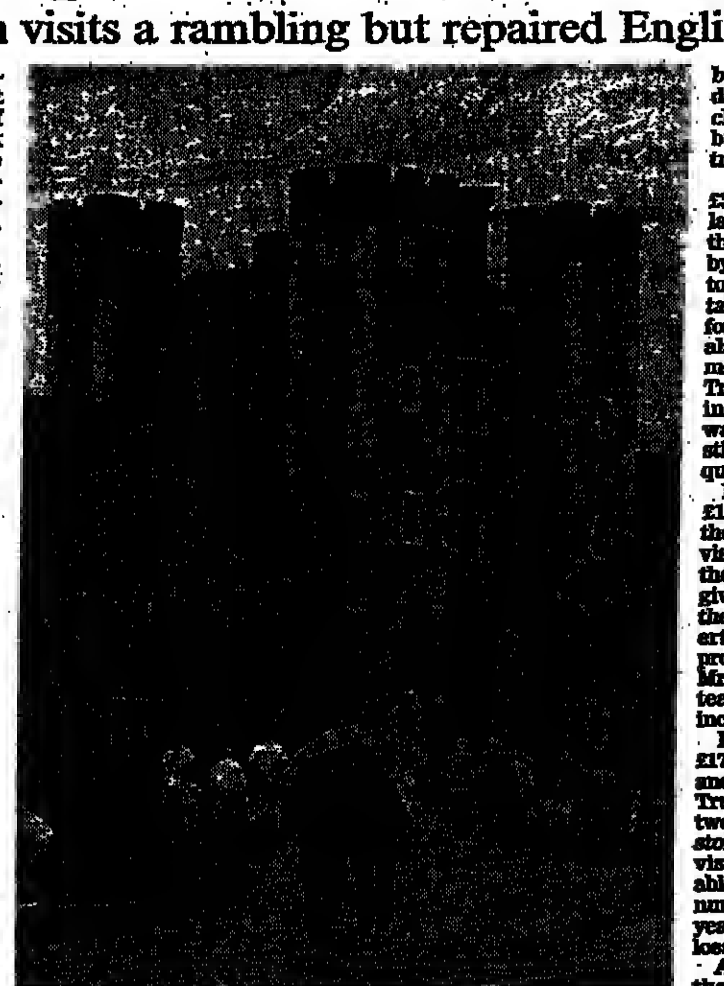
However grand its beginnings, Knole has had to live in recent years with the reality of running at a loss because of the sheer scale of the property and the crippling cost of its upkeep.

It is a sprawling mass of towers and turrets built of grey and red stone in a vast deer park on the outskirts of Sevenoaks in Kent. It looks, as Virginia Woolf wrote in her novel Orlando, like "a town rather than a house, but a town built ... by a single architect with one idea in his head." For 350 years Knole was the preserve of the Sackville family. Now, like so many other ancestral homes, it is owned and run by the National Trust, the charitable organisation which administers a large number of *historic buildings* and stretches of beautiful countryside.

The house is now open to the public. The family has retreated to the north and south wings. The deer graze among parked cars with their fawns. Sightseers swarm past the Reynolds portraits in the Crimson Drawing Room.

Knole is spared the coach-loads of tourists that throng more monumental houses such as Chatsworth or Blenheim. Its attractions - a collection of 17th-century furniture and *trompe l'oeil* frescoes - are of more esoteric appeal.

The house tends to attract amateur historians in sensible sandals or else bookish adolescents, moved by Virginia Woolf's love for Vita Sackville-West, the inspiration for Orlando and one of the most glamorous of the Sackvilles.



Knole: "a town rather than a house," Woolf wrote

The Trust took over Knole in 1947. The family made over the house, its contents and part of the park on a 200-year lease. The Sackvilles pay a peppercorn rent for their apartments.

For the English upper classes, the post-war years were marked by rising costs, spiralling taxation and a shortage of servants. Many families found it increasingly difficult to cling on to their ancestral homes. The Trust took over a great many historic houses to preserve the buildings and save their art collections from the auction rooms.

Knole is one of 190 properties ranging from castles to cottages owned by the Trust to the public. In 1947, when the Trust took over Knole, the property badly needed renovation. Materials and workers were available for only the most urgent repairs during the Second World War. The stonework was crumbling, the roof damaged and there were patches of damp and rot throughout the house.

In the early 1960s the Trust began a costly, 25-year renovation scheme. As an indication of the scale of the task, there are four acres of roof at Knole. One mason spent almost 25 years restoring the stonework alone.

The renovation was completed four years ago. But the cost of maintaining the house is still cripplingly high. Last year the Trust spent almost £190,000 on repairs, chiefly on chimneys.

This year's priority is the park, which was devastated by the storm that struck southern England last autumn. The house emerged unscathed, the deer were merely frightened, but nearly half the trees were damaged. The debris should be cleared by the end of the year but the task of replacing lost trees will take decades.

Repairs apart, Knole cost £338,400 to staff, light and heat last year. The Trust employs three full-time officials, headed by Mr Wakeford as administrator, and three part-time secretaries. Other staff are taken on for the summer season. Knole also relies on 250 volunteers, mostly local members of the Trust, to act as guides answering questions and stopping wayward children from leaving sticky fingerprints on the marquetry.

Most of Knole's income - £159,400 in 1987 - comes from the entrance fees charged to visitors. The rest comes from the income on the endowment given by the Sackvilles when the Trust took over the property, as well as grants and profits from the souvenir shop. Mr Wakeford hopes to open a tea room to generate more income in the future.

Last year the Trust provided £174,000 to make up the balance on Knole's deficit. Some Trust properties, such as Chartwell, once the home of Winston Churchill, attract so many visitors that they are profitable. Knole has a respectable number of visitors - 89,000 last year - but has always run at a loss.

A record 100,000 visitors saw the house in 1976, only for attendance to fall in the late 1970s and rise again in the early 1980s. This year the numbers have fallen, possibly because of the dearth of American tourists, deterred by the weakness of the dollar, or perhaps purely because of this summer's dismal weather.

The most diligent visitors arrive when the house opens and leave when it closes. The less diligent race around with undue haste. The record is held by one man who was in and out in 3½ minutes, a record to infuriate Mr Wakeford.

Visitors are for the most part well behaved. Albert, the lodge keeper, patrols the gates to deter undesirables. But some occasionally slip through. A group of West Germans was once found frolicking in the Sackvilles' private swimming pool. And items disappear from time to time.

The oddest disappearance was one of a group of four filigree silver boxes. Three years later the box reappeared, without explanation, in a parcel posted from Australia. The box was put back on display. The following week it vanished again.

UK NEWS

GDP increase reinforces fears over inflation

Economy pace accelerates further

By Ralph Atkins, Economics Staff

BRITAIN'S ECONOMY continued to grow at an exceptional pace into the three months to June, according to official figures yesterday.

Central Statistical Office preliminary estimates showed gross domestic product increased by 1.3 per cent in the April to June period. Compared with the same three months a year before, it was 5.1 per cent higher.

The figures, based on the output measure of GDP, show little change in the annual growth rate compared with revised figures for the first three months of the year. However, the annual growth rate was slower than at the end of 1987.

The buoyancy of activity reinforced fears that the economy is growing too rapidly and leading to inflation. Most City of London analysts believe the Government will have to raise base rates soon – possibly to more than 12 per cent – to reduce growth to a more sustainable rate.

Other figures released yesterday show a big drop in UK long-term unemployment in July – again highlighting the strength of economic growth. The number claiming benefit for more than a year fell below 1m for the first time in five years to 948,000.

Mr Norman Fowler, Employment Secretary, said the fall in the 12 months to July was the largest annual decline on record.

The figures show the number of unemployed for more than six months in July totalled 1.38m – 22.5 per cent lower than the same month a year before.

The number without jobs for five years or more was 263,000 in July, 14,000 less than the same time last year.

In financial markets, the GDP figures were poorly received. Trade was nervous largely in anticipation of tomorrow's UK trade figures which are widely expected to show a current account deficit of at least £1bn.

Earlier share price falls in Tokyo and New York further upset equities. The FT-SE 100 share index closed down 14.4 at 1817.9. Gilt-edged securities also ended lower.

Fears about the trade figures are likely to be intensified as analysts scrutinise the CSO's annual digest of figures for the UK balance of payments released today. This shows last year's trade deficit in 1987 has been revised up from the previous estimate of £1.6bn to £2.5bn.

Yesterday's output based figures are one of three measures used by the CSO to show GDP growth but are considered the most reliable indicator of short-term movements.

Norman Fowler: largest drop in long-term jobless

Mr Bill Martin, chief UK economist at Phillips & Drew, said the growth rate in the first six months of this year was less than in the second half of 1987. However, this did not necessarily mean overheating pressures had subsided.

"This could be the slowdown in demand that we have been waiting for. Or, more ominously, it could reflect capacity constraints on output," he said.

In the year to the last three months of 1987, the output measure suggests the economy grew by nearly 5½ per cent per cent. The average of all three measures shows growth of about 4½ per cent.

In the three months to June, the latest estimates suggest growth was spread across most sectors of the economy apart from oil production which showed a decline compared to a year before.

Figures for non-oil GDP, show economic activity was 5.6 per cent higher than the same three months a year before.

The CSO said activity was particularly strong in manufacturing and construction sectors. In service industries, output in the three months to June was 1.7 per cent higher than the previous three months and 5.3 per cent higher than the same period a year before.

In London yesterday, the pound weakened against D-Mark to end at DM3.2025 compared with DM3.2175 at the previous close. Against the dollar it ended at $1.6795 against $1.6765.

The Bank of England's sterling index fell 0.1 points to end at 76.1. The FT Ordinary index dropped 11.1 to 1486.1.

Trade deficit revised upwards to £2.5bn

By Simon Holberton, Economics Staff

BRITAIN'S trade deficit in 1987 has been revised upwards to £2.5bn from £1.6bn, according to official figures released today.

The Central Statistical Office says in its annual digest of figures for the UK balance of payments, known as the Pink Book, that the current account deficit was revised upwards because of a lower level on receipts from services together with a higher level of imports than first thought.

The revisions to the trade figures are likely to unsettle UK financial markets which are already tense ahead of the release tomorrow of trade figures for July. Independent economists expect the deficit for this year to rise by £1bn in July.

The CSO said tomorrow's trade figures would show that the current account deficit for the first three months of the year was estimated to be £100m greater, or £2.9bn. This was despite an increase of £300m in estimated exports.

The CSO said that the deficit on visible trade in semi-manufactured and manufactured good widened to £7.5bn in 1987 from £5.7bn in 1986. The surplus on trade in oil was £4.2bn, slightly higher than in 1986, but nearly half that of 1985.

The figures also show that the crash in world share prices in October last year, generally lower share prices, and a stronger pound had the result of reducing Britain's net assets abroad.

In 1987 net assets were valued at £89.5bn, compared with £113.2bn in 1986 and £80.3bn in 1985.

Last year there was a net disinvestment of £6.5bn by UK investors in equities and bonds compared with purchases of £25.2bn in 1986. Foreign investment in British shares and bonds rose by £10.8bn compared with an increase of £8.4bn in 1986.

Earnings on UK investment abroad totalled £18.2bn in 1987, of which direct investments accounted for £10.7bn and investment in equities and bonds came to £5.5bn. This compared with £13.5bn in 1986.

Last year, UK direct investment in industry and services was £15.4bn, compared with £11.5bn in 1986. Overseas investment in the UK was also higher at £6bn compared with £4.2bn in 1986.

The CSO estimated that the value of UK direct investment abroad was £91.4bn; the value of foreign investment in the UK was £53.4bn.

United Kingdom Balance of Payments, 1988 Edition, CSO. Available from: HMSO, £9.95.

Investors in Barlow Clowes may see higher payout

By Clive Wolman

THE 11,000 investors in Barlow Clowes International can expect to receive much more than 50 per cent of the money that they have paid into the offshore fund which has now been put into liquidation.

A breakdown and valuation of the assets and claims of BCI, on a best estimate basis rather than following the much more conservative and pessimistic approach adopted by the liquidators, suggests that they will realise between £60m-£65m.

This does not include the possibility that investors will recover additional sums from negligence suits against the Trade and Industry Department, financial advisers and intermediaries, auditing firms or banks.

Shortly after the Barlow Clowes companies were put into liquidation in June, the liquidators suggested that less than £40m of the BCI assets may be recoverable.

The money invested in the Gibraltar-based BCI fund is thought to have been slightly over £100m, although the rolling up within the fund of the inflated rates of interest that BCI was offering its clients has boosted its potential liabilities to about £138m.

The less gloomy picture follows an upgrading in the valuation of a variety of different assets. Many of these are loans to companies which have become insolvent but which nevertheless have enough to allow creditors to retrieve most of their money.

One key figure is the amount of BCI money tied up in the James Ferguson industrial holding company to which BCI indirectly made a £11m loan. It also has a direct stake of 60 per cent of its share capital and, through the assets of Mr Clowes which have been assigned to it, an further indirect stake of 25 per cent. At one stage these stakes were valued by the stock market at more than £50m.

Mr Tony Richmond, an insolvency partner of Peat Marwick McLintock, the administrators of James Ferguson, yesterday laid to rest fears that the company may be insolvent.

Statoil to open negotiations on gas sales to Britain

By Karen Fossli in Oslo and Max Wilkinson in London

STATOIL, Norway'a state oil company, said yesterday that it is to start negotiations with British Gas in October for the annual delivery of 5bn cubic metres (bcm) of Norwegian gas to the UK.

The negotiations will re-open a political argument in London on whether British Gas should be given an import licence.

After the UK Government's decision three years ago to veto a $30bn contract for the import of gas from Norway's Sleipner field, the Department of Energy has taken a strongly protectionist stand.

However, Mr Cecil Parkinson, the present energy secretary, and a free trader by temperament, might well be sympathetic to a more moderate scale of imports.

At a meeting in Oslo last month Statoil and British Gas decided to pitch the quantity for negotiation at between 5 bcm and 8 bcm or 10 to 15 per cent of the corporation'a present requirements. Imports would start in the mid 1990s.

However, a great deal of negotiation will be needed in the political as well as in the commercial arena before a firm contract can be signed.

Last night Mr James Allcock, British Gas's director of petroleum purchasing, confirmed that talks with Statoil were to take place, but said the company was simultaneously talking to other possible suppliers of imports, inclnding Algeria and Nigeria.

However, the company does not appear to be talking to the Soviet Union, which has huge gas reserves and a large amount of spare capacity in its pipeline to Europe.

Some analysts regard the British Gas's talks with Norway as being partly a tactic to drive down prices in the UK sector. For some years it has also wanted to secure additional supplies to meet a potential gap between supplies and demand in the late 1990s.

The Sleipner deal foundered on the UK Government's fear that large scale gas imports would threaten the development of the UK's gas reserves.

That fear may still yet prevail. At an offshore petroleum conference in the Norwegian west coast city of Stavanger, Mr Peter Morrison, the energy minister, said yesterday that be was prepared to ensure that the development of gas on the UK shelf will go ahead to supply gas into the 1990s.

British Gas's interest in imports intensified when it appeared that reserves in Norway's Frigg field, from which it obtains about a quarter of its supplies, were some 50bcm less than expected.

However, Elf Aquitaine, the operator of the Frigg field is seeking to tap reserves which it beleives may lie in different levels the reservoir.

Cash needs, Page 17

Taylor Woodrow plans property certificates

By Nikki Tait

TAYLOR WOODROW, the construction and property group, said yesterday that it planned to start realising profits on its St Katharine's Dock development in London's Docklands through a pioneering issue of property income certificates (pincs).

"If the market develops, we see ourselves as long-term players," said chairman Sir Frank Gibb.

Pincs are among the single property asset investment vehicles which are presently under development. The certificates will entitle their owners to all or part of the rental revenue of a building and a share in the management company. The underlying ownership of the building itself, however, will not change.

The opening of a market in pincs pends the publication of regulations from the Department of Trade and Industry. These are expected within the next few weeks. Taylor Woodrow said, however, that it hoped the market would be running within six months. It planned to make an issue in the first batch of certificates as soon as this year. It is one of the first companies to express a firm interest in the market.

The planned issue would relate to part of the rental income on just one of the 10 buildings comprising the St Katherine's Dock development. Taylor Woodrow said that it was considering a couple of possibilities, but declined to say how much it expected to raise through the issue.

St Katherine's Dock, which has been under development for well over a decade and is still not complete, accounts for about half of Taylor Woodrow's UK investment property portfolio. At the end of 1987, UK investment properties were valued at £400m, out of the total £521m portfolio.

Yesterday, Taylor Woodrow - where Sir Jeffrey Sterling's Peninsular and Oriental Steam Navigation (P&O) recently acquired an 8.5 per cent stake - unveiled interim profits up from £21.2m to £34m before tax.

Lex, Page 14

Shipbuilders to lay off 1,000 in Sunderland

By Kevin Brown, Transport Correspondent

BRITISH Shipbuilders is to lay off around 45 per cent of the workforce at its threatened North East Shipbuilders subsidiary in Sunderland.

It said lay-offs would begin immediately and continue until the end of next month, when around 1,000 workers will have been sent home on 75 per cent of basic pay.

There was relief in Sunderland that redundancies had been avoided. But it emerged that British Shipbuilders opted for lay-offs only after last-minute Government pressure.

The corporation had intended to make the men redundant until late on Monday evening. The decision was changed after Mr Tony Newton, the Industry Minister, made it clear that he wanted all 2,250 jobs at North East Shipbuilders to be maintained for the next few weeks.

Mr Newton is understood to be keen to demonstrate that the Government is willing to do everything possible to keep NESL intact while a private sector buyer is identified.

Why careless talk could endanger skills

By Michael Dixon

"OLD Mrs Huston was terribly cut up after her daughter died on the operating table," announced a woman at the afternoon coffee party. Her adult companions responded with sad nods and murmurs of sympathy.

But the remark had a very different impact on the child who grew up to be the author James Thurber. He wrote later that what the woman had said kept him lying awake at night for weeks, imagining the gruesome scene.

He pictured old Mrs Huston sitting in the operating theatre. Then he saw the surgeons turning on her with scalpels flashing – after they had finished with her daughter, of course – and saying: "Now Mrs Huston, are we going to jump up on the operating table by ourselves like a good girl, or shall we have to be put there?"

That tale shows how things most people say with scant heed to their literal meaning can worry someone acutely sensitive to words. And those who work with words, such as the Jobs column, tend to have an above-average sensitivity to them although not (alas) to anything like the sublime degree possessed by Thurber.

Hence my puzzlement, albeit mild by his standards, over a certain word which people are using more and more when discussing work topics. At one time its use in that context seemed confined to the City of London and, being inured to the barbarous language spoken there, I wasn't much bothered. But the other evening I was alarmed to hear the word used by the chief of a provincial manufacturing concern.

"We had a recruiting drive lately," he declared "and I'm glad to say we've managed to take on a lot of good *players*."

When I asked him what it was they played, he looked at me uneasily and said he must move on. Which he did, leaving me alone to wonder why he and growing numbers of others should speak of "players" when referring specifically to "workers".

One possible reason is that those who do so are unaware that the two terms don't mean the same thing. For instance, they might all have been brought up as members of the Yir Yoront tribe of Australian aboriginals whose language does not enable any distinction to be made between work and play as activities. It hardly seems likely, though.

Another possibility is that "players" is used, as it once was in cricketing circles, to denote workers who insist on being paid for their efforts as opposed to "gentlemen" above such pecuniary gain. In the City of London if nowhere else, certain folk still wear some of the hallmarks of gentlemen, including a signet ring on the left little finger and a suit which looks as though it has just been mown.

While they could perhaps afford to work for love alone, however, none of them seems willing to do a hand's turn without a company car and cheap mortgage on top of a vulgarly large sum of money. So the explanation of the odd use of language must lie in some other context.

The one that seems most probable – and which raises disturbing implications – is gambling. After all, "playing" in the casino sense is surely a pretty apt term for the primary function of the finance sector. But if the idea spread around that the same constitutes the central activity of other parts of the economy, there could be dire effects on the development of other kinds of working skills which lie at the heart of most advances in well-being that humankind has achieved.

For the work of making things and providing the bulk of services useful to people needs skills markedly different from those of risking money, no matter how successfully.

Otherwise, there would be little point in the British Government's plan to improve young people's education by focusing their attention on intellectually demanding studies. It would be better to model education on the Oxford University of 150 years ago, which was probably the best training ground for "players" ever to exist. Undergraduates typically spurned all scholarly study in favour of gambling interspersed with huntin', shootin', and fishin'.

That is not to say the skills they acquired were socially worthless or bereft of mental rigour. For instance, sustained success at the gaming tables needs a mathematical ability that few people possess, and which is required in still greater measure in City-type trading.

Nevertheless – as I learned from watching an electronics engineer working spare-time as a settler in a crowded betting shop – it is not the same kind of maths skill that is essential to innovative technology and science. He didn't get much money for his Saturday stints, he said. He just enjoyed the figuring which, compared with the demands of his regular design job, was very relaxing.

The trouble is that, in Britain at least, a good many holders of high places seem blind to such key differences. Half a dozen times lately I have heard top people, three of them economists, welcome redundancies in the finance sector on grounds that they will force "clever" City people to "go and run industry".

Those who actually run it, like the manufacturing chief I met the other night, would probably not make the same vacuous mistake. In referring to his staff as "players" he was merely using a trendy word without thinking much about it, which is something all of us are guilty of repeatedly.

Even so, as George Orwell said: "...the slovenliness of our language makes it easier for us to have foolish thoughts." And loose talk by someone in a position of leadership makes it easy for other folk to have them too. So top industrialists especially would do well to call a worker "a worker". Besides, they are the people who will be most terribly cut up if industry dies on the gaming table.

Ups and downs in City

ANY "players" in today's congregation might find interest in the table below. Based on figures from the Jonathan Wren recruitment consultancy, it shows the average changes in salary achieved by City of London staff who moved jobs with Wren's help between March 1 and July 15.

The detailed data is limited to types of staff with average salaries of at least £25,000. But the bottom two lines refer to all ranks.

The general picture is that, while no work category has escaped cuts since Black Monday, there is a fair demand for most types of staff seen as top performers.

Job title	*Type of work*	*% change*
Compliance manager	Back office	+ 40.6
Lending officer	Front line	+ 25.9
Assistant branch manager	Front line	+ 21.1
Private-client banker	Front line	+ 20.9
O & M executive	Back office	+ 17.2
Legal officer	Back office	+ 15.0
Financial controller	Back office	+ 14.3
UK lending manager	Front line	+ 13.0
Credit analysis manager	Front line	+ 8.2
Equity trader	Front line	+ 5.3
Senior lending officer	Front line	+ 2.9
Bond sales/traders	Front line	− 2.8
Assistant fund manager	Front line	− 6.3
Investment traders	Front line	− 6.7
All job-changers, March 1 to July 15 1988		+ 12.8
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Currency conversion date	12 September 1988

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JOHANNESBURG
23 August 1988

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FINANCIAL TIMES
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MANAGEMENT

Corporate strategy

Dresdner Bank: beavering away at building a reputation on the quiet

Haig Simonian contrasts the style of West Germany's second largest financial group with that of its rivals

Dresdner Bank, West Germany's second biggest financial institution, with total assets of DM 207bn (£64.3bn), has a problem. Its towering steel-clad headquarters in Frankfurt may be a few metres taller than Deutsche Bank's twin towers, but when it comes to publicity, its larger neighbour almost always hogs the headlines.

Nothing illustrates the disparity better than the two banks' strategies towards the European Community's planned free market in financial services from 1992 or thereabouts. Deutsche Bank (total assets DM 268bn) has been using its bigger resources to buy strategic stakes or outright control of banks throughout Europe as part of a plan to be represented prominently in all key EC markets by 1992.

By contrast, Dresdner Bank has appeared to stand still. Its inactivity has triggered criticisms of a lack of vision, negotiating skill, money, or a combination of all three. Strong rumours that it failed to pull off a major bid in Italy have fostered that impression.

Even Commerzbank, Germany's third biggest bank with total assets of DM 162bn, has won some praise for its defensive strategy of cross shareholdings with European partner banks.

But the criticism heaped on Dresdner Bank is not entirely fair. Not emulating Deutsche Bank's ambitious expansion or Commerzbank's defensive pacts does not mean it has been slothful or unambitious.

The bank under its chief executive Wolfgang Röller has identified securities trading and fund management — two areas where its strength is acknowledged — as sectors to push in its 1992 strategy. As a fund manager, it already has just under DM 60bn under — on a par at least with Deutsche Bank.

After buying Thornton & Co, a privately-owned UK fund manager, in May, it now plans to expand its business further, *partly by acquisition.* On the dealing side, it already has an international securities network that is particularly strong in the US and which is arguably ahead of its German rivals already.

But how do trading and fund management fit together, and how does Dresdner Bank hope to knit together its international network, which now includes a substantial sterling-based presence in London, on top of its established local currency activities in Germany and New York to give it a coherent presence in Europe for the more competitive days ahead?

Protecting its competitive retail position in Germany, where foreign banks will be increasingly attracted after 1992 by the high standard of living and savings rate, is the watchword. In its wholesale business the bank intends to *compete aggressively to attract* funds from institutional investors around the world.

Dresdner Bank's surprise purchase of Thornton, in which it now has an almost 73 per cent holding, is the first step in its strategy. The acquisition has given Dresdner two new strengths: a presence in *sterling funds and a strong* position in the Far East, where Thornton has specialised.

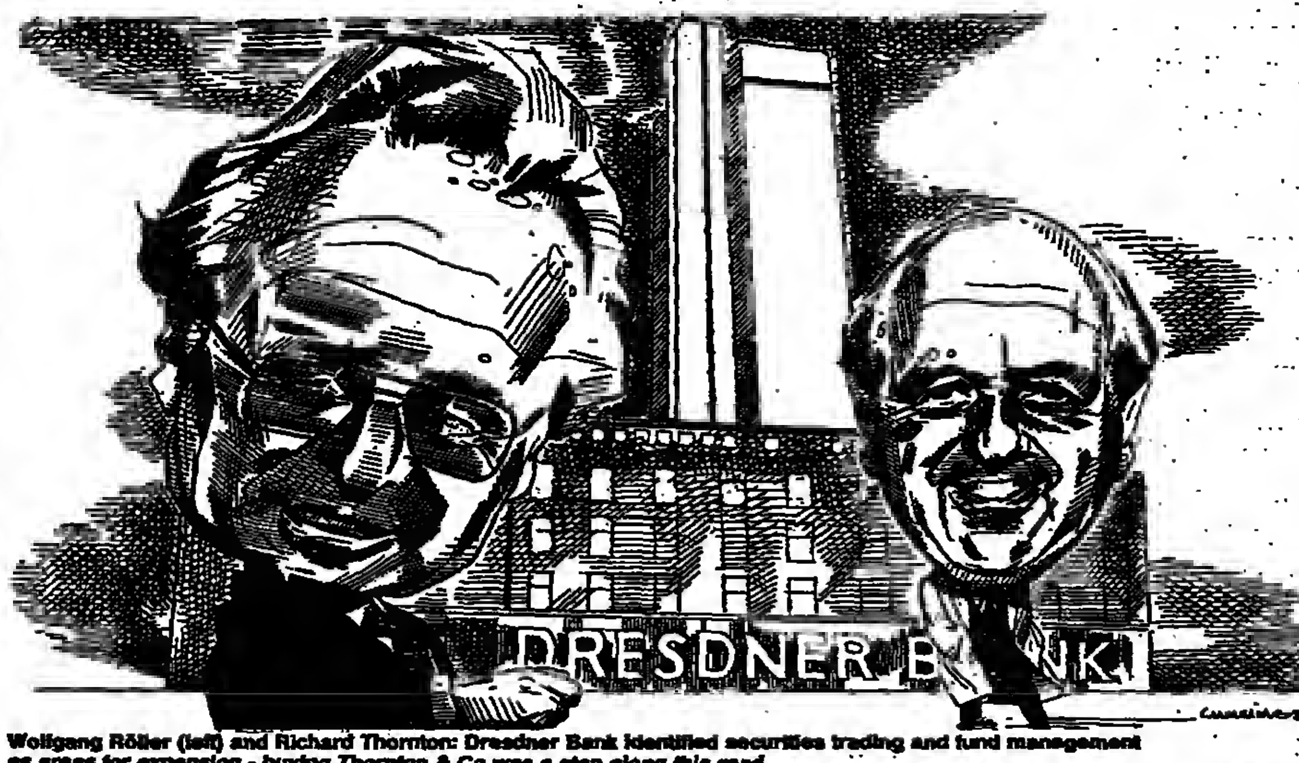
With some £950m under management, Thornton, which made about £3m after tax last year, has quickly established itself in the UK fund management business, with some 15 listed funds. The company was heading for a £100m flotation last autumn until its value plunged after last October's crash.

Gaining control this year cost Dresdner just a quarter of that. "With Thornton we bought people too," notes one member of the bank's managing board. "Others wanted to buy, but they were just interested in the funds under management."

Apart from a sizeable London staff, Thornton has about 80 people in Hong Kong. "It has a fantastic reputation out there," says the Dresdner director, noting that its Far *East business is not just based* on trading for European investors, but locals too.

Marriages between cautious German banks and more swashbuckling Anglo-Saxon operations have not always *been without friction.* However, early signs are that the Dresdner-Thornton match may be better aligned than most. A key factor here is the shared emphasis on longer-term growth rather than short-term profits.

"It's not a quick buck philosophy," agrees one Dresdner



Wolfgang Röller (left) and Richard Thornton: Dresdner Bank identified securities trading and fund management as areas for expansion - buying Thornton & Co was a step along this road

executive, speaking of Thornton's. Moreover, by insisting that existing management keeps a minority stake and asking Richard Thornton to stay on for another four years, it has sought to cement that continuity. "It's a good timeframe to build this thing," says Thornton, who suggests that further friendly takeovers of UK fund managers are not to be excluded.

Expanding its US fund management presence is probably Dresdner Bank's next step. In the past, it has been held back by the Glass-Steagall Act, which separates securities broking and underwriting. However, it now feels there *may be a change* in the wind.

Dresdner has two US securities vehicles: ABD Securities Corporation, an investment banking subsidiary, in which Bayerische Hypotheken-und Wechsel Bank has a minority stake, and *ABDI*, a fund-management business. Together, they account for some $1.8bn funds under management worldwide.

However, *its existing US* securities business is "grandfathered" under US law. This means that as a long-established business its existing activities are exempt from the provisions of the Glass-Steagall Act but are prevented from buying any further going concerns. Thus expansion in fund management can only come internally if the bank is not to jeopardise its existing *commercial* banking activities.

It now thinks matters may be set to change, though, for the bank may have found an acceptable way around the regulations. Much still depends on *discussions with the Federal* Reserve Board, but "it is possible something will come through by the end of the year," says one board member.

The bank is unwilling to name specific bid targets, but *it has* a variety of options in mind, ranging from outright purchases of US fund managers to closer co-operation with big US institutional investors like the pension funds. "With 1992 approaching, many US parties are becoming more interested in Europe and would like help with an entree," he says.

Significantly, contact with US institutional investors has come through the broking side. ABD already has seats on the Boston Stock Exchange. Its boss, Theo Schmidt-Scheuber, was the first *foreigner* to be made president of that bourse. More recently, it has bought five seats on the New York Stock Exchange, considerably boosting its US profile.

"ABD is now ahead of all *other European banks* in New York when it comes to sales of European securities to US pension funds," claims one executive.

Local representation lies at the heart of the link between selling securities and managing funds. "If you talk to people about sales, and the performance is there, then it leads to talks about running part of their *money*," explains one executive.

Those contacts have already started to bear fruit, with the possibility of some $500m in pension fund money about to come Thornton's way, and may *blossom* if the bank *succeeds* with its US plan later this year. But in the meantime, Dresdner is taking further steps to improve its service to US institutions by setting up a 24-hour trading capability in German securities in Frankfurt, *allowing* US clients to do business outside normal German hours.

What of continental Europe? Obviously, Germany is the bank's *strongest area. Some* DM50bn total funds managed are split between DIT and DBI, its two domestic fund management subsidiaries, which together account for about DM 30bn in assets. A further DM 16bn *is handled* by the bank's own trust department, while some DM 4bn is invested in DEGI, its real estate fund.

Outright acquisition of other continental European banks or fund managers is not part of the strategy, although Thornton employees suggest further UK friendly takeovers are "not ruled out". Nor does Dresdner have full-scale mergers or smaller cross-holdings with other European banks in mind.

Rather, it is working from two key assumptions. First that the gradual abolition of barriers to European financial services will make it possible to move into European markets from its German base. Second, that no one single approach, such as Deutsche Bank's acquisitions or Commerzbank's cross-holdings, is applicable throughout Europe.

Countries like the Netherlands can best be served from Germany or Luxembourg, where the bank is already well placed in both institutional and private client business. It has recently set up Dresdner Bank Asset Management as a special offshoot in Luxembourg. By contrast, France, Italy and Spain — the three most attractive markets for German banks today — require different approaches, it says.

In France, where acquisition opportunities are limited, the bank intends to develop its existing subsidiary, Banque Veuve Morin-Pons, based in Lyons. The bank already has a couple of funds for its domestic clients and Dresdner now plans to expand these and possibly offer German investors a French fund later. By contrast, acquisition may be the right approach in Spain, where many domestic financial institutions continue to need capital, making an outside approach more welcome, Dresdner executives think.

Italy is another matter. Having perhaps had its fingers burned on an abortive bank acquisition, co-operation with other financial institutions such as insurance companies or pension funds is to be Dresdner's strategy.

For those mesmerised by Deutsche Bank's ambitious acquisitions, Dresdner Bank's approach may look dull. But there must be many European banks occupying the number two or three slot in their respective countries which lack either the resources or the management inclination for takeovers on a wide scale, even if all the chances were there. Examining and playing on their strengths, as Dresdner Bank is attempting, may be the right answer for them too, ahead of 1992, even if it does not capture all the headlines.

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Managing information technology opportunities, London. September 19-23. Fee: £1,600. Details from Louise Ashfield, Registrar, Information Technology Programme, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 01-262 5050.

Strategic networks - how to use communication networks to gain competitive advantage, London. September 28-29, March 9-10 1989. Fee: first delegate £495; additional delegates £445. All fees subject to VAT and payable in advance. Details from The Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546; Telex: 299180 MONINT G; Fax 871 3866.

The international insurance and risk management conference, Lisbon. October 24-26. Fee: non-members BFr 74,000; members (AMA/I) BFr 66,600; risk managers BFr 63,000. Details from The Customer Service Department, Management Centre Europe, Postbus 95, NL-3417 ZH Montfoort, The Netherlands. Tel: Belgium 32/2/516.19.11; Fax 32/2/513.71.08; Telex 21917 mce b.

The annual company report - latest developments, London. October 6. Fee: £295 + VAT. Details from Nicky Roberts, Legal Studies and Services, Bath House, 56 Holborn Viaduct, London EC1A 2EX. Tel: 01-236 4080; Telex: 888870.

Network architecture - the multi-vendor environment, London. September 26-27. Fee: first delegate £495 + VAT, additional delegates £445 + VAT. Details from The Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546; Telex: 299180 MONINT G; Fax: 871 3866.

TECHNOLOGY

CGS takes drastic action to break out of a niche market

Clive Cookson examines the efforts of Europe's largest software company to catch up in the UK

One of the corporate goals of Cap Gemini Sogeti (CGS), the largest computer software company in Europe, is to be among the top three software suppliers in every European country.

It has achieved that position in most Continental countries, but in Britain CGS lags far behind its competitors. Whether measured by turnover, £6.5m in 1987, or by staff, only 150, the UK operations of CGS are tiny compared with the leading UK companies such as SD-Scicon, Sema and Logica.

During the 1980s, CGS has achieved an average annual growth rate worldwide of about 30 per cent, two-thirds through internal growth and one-third through acquisitions. According to Serge Kampf, the chairman and founder, the French company aims to expand at a similar pace for the next decade.

If it succeeds, the group's 1995 turnover will reach nearly $8bn, though even so it will have only 2 per cent of the global data processing market, or 5 per cent of the professional services market.

In the UK, CGS has remained largely in a niche market, supplying communications systems for the emergency services — police, fire and ambulance. So far the company has failed to expand its British activities by buying an established UK software house, despite a long search which has involved unsuccessful discussions with more than 20 takeover candidates.

In May the parent company took more drastic action. Paul Hofmann, vice president for business development at Cap Gemini Europe and the leading corporate troubleshooter, was sent in to run CGS (UK) for about nine months and, in his words, "to start a revolution."

Three months into the mission, he has drawn up detailed plans for rapid internal expansion, which would double the size of the UK workforce to 300 by the end of 1989 and take it to 450 by the end of 1990, even without an acquisition.

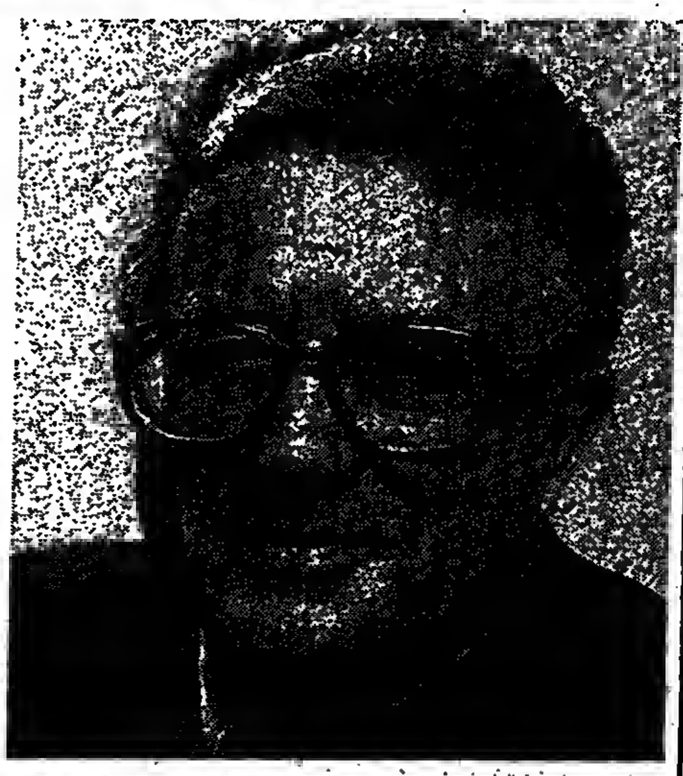
But Hofmann is looking for a UK software company to buy and if he succeeds the overall growth could be very fast indeed. "I would like to go for a company in the manufacturing or finance area," he says, "but if I found a very good company which specialised in another field I would take it anyway."

A hostile bid for a software company would drive away staff, so Hofmann insists that any takeover must be friendly and that senior managers from the company acquired should join CGS.

At present CGS has only two UK offices, at Yiewsley near Heathrow Airport and in Manchester. Hofmann's internal expansion plan will add six new offices. By the end of 1989 there will be four regional branches (Manchester, Birmingham and probably Bristol and Newcastle) and four offices covering market sectors: the public sector (building on present work for the emergency services), finance, manufacturing and education.

CGS is a strong player in the market for financial and manufacturing computer systems in other countries, but in the UK these businesses will have to be built virtually from scratch. Hofmann has already appointed someone to head the manufacturing business, which is likely to focus first on continuous industrial processes, such as chemical plants. He is about to select a leader for CGS's UK financial services business; it will concentrate on banking systems if someone with a banking background is chosen, and on insurance if someone from the insurance industry gets the job.

Although there is a worldwide shortage of professional computing staff, Hofmann does not think CGS will have too much trouble recruiting 300 people over the next 18 months. "It's easier to get good people in the UK than in Germany or Switzerland," he says. Even so, for the next few months he will rely on experts brought over from CGS subsidiaries in other countries, particularly financial systems specialists from France and manufacturing specialists from West Germany and the Netherlands.



Paul Hofmann: sent in "to start a revolution"

Hofmann, a 59-year-old German, speaks from experience rather than youthful enthusiasm. He joined CGS in 1982 after spending 30 years with IBM. He hopes to hand on his UK revolution to a British leader at the end of this year.

"We have three candidates for managing director," he says, "but the list is not closed." If Hofmann succeeds in buying a UK software company in the near future, its chief executive would be a leading candidate for the managing director's role.

New dawn for a bright system

Expert systems, an advanced computing technology which attempts to mimic human reasoning, seems set for rapid growth after years of failing to live up to its promise.

According to Ovum, a London-based consultancy which has been following the development of the expert systems market since the early 1980s, growth rates in excess of 30 per cent a year now seem likely.

The period 1987-88 was terrible for the expert systems business, says Ovum in a study* due out this week. It points out that in the US, the new venture capital software companies which once led the industry have run into losses and cut back heavily on staff.

In the UK, most of the companies which pioneered expert systems developments have been losing money. "Financial rescues in various forms have been the order of the day."

Expert systems use techniques derived from artificial intelligence research to create the illusion that computers can give reasoned answers to questions. Their potential as expert "advisers" or as repositories of expertise has prompted business analysts to predict the emergence of a multi-million-dollar business by the early 1990s.

The study shows that today the world market for expert systems software is worth only about $450m (£265m), similar to that for accounting software packages.

Ovum suggests that the overall market for software, consultancy and hardware will grow in the US from $565m in 1988 to $3.85bn in 1992. It estimates the corresponding figures for Europe at $354m and $1.5bn.

The reasons it gives for this new growth are: a rapidly increasing number of applications; more mature technology, closer to the needs of mainstream data processing; and a more realistic marketing focus on products with long-term potential.

Ovum reports that a number of pioneering users are showing identifiable returns. For example, the John Hancock Mutual Life Insurance company of Boston, Massachusetts, developed a system to recommend suitable financial advice packages for clients. "Results have included doubling the amount of business generated by sales calls and a five times increase in the recommendation of new business by satisfied customers."

Security Pacific, in California, developed a system to detect debit card fraud and claimed to have saved $145,000 over one weekend. A loan advisory system developed at Banque Hervet in France has reduced the time taken for a loan decision from 19 days to 1½ hours.

The Ovum study identifies two areas of the market as being particularly promising:

● The market for software packages to develop expert systems on high powered workstations and advanced personal computers. Such packages retail at between $5,000 and $10,000 a copy.

● Software for developing expert systems on mainframes and costing upwards of $100,000.

Ovum says the notion that large companies would be prepared to pay $30,000 a copy for multiple copies of an expert system is false; so is the idea that expert systems could be used like spreadsheets or word-processors by ordinary office workers.

The industry is fragmented and lacks leadership, Ovum says, pointing out that hardware suppliers like IBM, Digital Equipment and Siemens have the resources and the main markets, while small specialist companies have the technology, and consultancies the systems expertise.

It suggests that hardware companies are best placed to bring together the essential elements for an effective product. "Links between the hardware vendors and specialist vendors will be a key step." Such collaborations already include IBM with Intellicorp, Ron Data, and International Computers with Expertech.

Hardware vendors, it warns, must resist the temptation to swallow small partners because that could greatly diminish their ability to respond quickly to opportunities.

* *Expert Systems Markets and Suppliers; Ovum Ltd, London 1988; £395; $735. Contact 01-255 2670.*

Alan Cane

London's black cabs hail the computer era

Next time you need to order a taxi in a hurry, do not despair: technology is coming to the rescue.

Hundreds of London's black cabs are being computerised, which should result in a shorter wait for customers who summon them by telephone.

Dial-A-Cab, a friendly society in which each of the drivers has a share, plans to have a computer terminal in all 1,400 of its cabs by the end of October. The small display and keyboard will be used to send and receive information over the society's radio network.

Computer Cab, which claims to be London's largest black cab company with 2,500 cars, is introducing a pilot scheme in September involving 100 of its taxis. Eventually all its fleet will be equipped with radio-linked terminals.

Like most of London's mobile radio users, taxi companies are restricted in the number of channels they are allocated because of the high demand for radio spectrum in the capital. By transmitting the information digitally, Dial-A-Cab and Computer Cab are planning to squeeze more messages down their existing channels, and so to increase their business.

The two companies have chosen very different methods of implementing their computer programmes.

Dial-A-Cab has bought a zonal system developed by Vancouver-based Mobile Data International. Zonal systems rely on the driver tapping in the grid reference of the taxi so that the control centre can match cabs to jobs. In London, the driver will tap in the district post code. This sort of system is already in use in north America and Europe.

It enables Dial-A-Cab to eliminate radio contact between the taxi and the control centre; the taxi's location is keyed in by the driver and the information about the next job is sent back by the control centre to the cab, where it flashes up on the display screen. The driver can also fill in information such as the destination, fare and job number, dispensing with paper dockets.

Ken Burns, Dial-A-Cab chairman, says: "There are 18 systems like this working round the world and it will work successfully here."

However, Computer Cab's managing director, Geoffrey Kaley, has rejected the idea of a zonal system. "We didn't like the volume of unnecessary updating. There is a ratio of 4:1 for the number of times the driver has to update his location to the number of jobs he receives," he argues. Kaley has relied on Computer Cab's technical team to develop the Admiral computer units in-house.

Admiral is the first phase of Computer Cab's computerisation project. The computer will work with the taxi's existing radio system and receive the address of the next job. It will also replace the paper docket system.

The second phase, scheduled for next year, will see bidding for jobs digitised. Meanwhile, the central control operators will continue to read them out over the radio and the drivers will bid for them depending on their location.

The company plans to use one of the existing vehicle location systems, which keep track of vehicles using radio signals between a transmitter in the vehicle and a series of radio beacon or aerial receivers. The location of available cabs will be fed back automatically to the control centre.

Although the total development cost of Computer Cab's system will be £2m, the company expects it to pay off handsomely. Because each digital message takes up less air-time, Kaley believes he will be able to add another 3,500 cabs to the network. Eventually he is hoping to sell the system to other taxi companies.

Dial-A-Cab has spent £2.6m on its computers and is planning to increase its taxi fleet to at least 2,000 over the next five years.

Della Bradshaw

ARTS

TELEVISION

Students' snippets produce the goods

It is both fascinating and heartening to find, amid the repeats and the formula-ridden series which form such a large part of the summertime dross on television, a series such as *First Run*. Admittedly there are only four episodes, and you have to live in London to be able to see them. Even that, however, is a major advance, because they consist entirely of short works produced by students from Britain's film and television schools, and in the past the only places to see such material have been graduate screenings and very occasional festivals.

These four programmes (presented with astonishing nervousness by film producer David Puttnam who, despite the obvious worthiness of his intentions, may well have driven away some viewers with the zombie-like monotone in which he read the autocue) confirmed what has been argued in this column in the past: that many of the people coming out of our film schools combine a high degree of professionalism with remarkable creative originality.

The best of the nine works being shown is, in my view, *Sandino Bambino*, made by Andrew Humphries of the Royal College of Art. With marvellous economy, good editing, and a first-rate script (too often a weakness in student films) this tells the story of Martin, a desperately well-meaning student with Sandanistan sympathies, whose dad runs off with his girlfriend. It is fresh, sad and funny and made me wonder for the umpteenth time why, with such talent bursting out of our schools every year, we still end up with such garbage packing the summer schedules.

Humphries may be one of the best, but he is not alone. Michael Barber's *The Swimming Pool* is a superbly stylish twist-in-the-tail thriller which, in about four minutes, puts to shame most of ITV's *Tales Of The Unexpected*. Like Martha Fiennes' *Migrants* it has a powerful sense of picture-making: of exactly what should be on the screen, and where. It is a quality common to the Italian realists, the French nouvelle vague, and much British television drama of the 60s, since when it seems to have become wholly unfashionable, at least on television.

* * *

The tricks used by television in trying to induce us to watch by pretending that we shall be offered real cinema movies are both ironic and disgraceful. Ironic because the message so clearly implied is "cinema is superior to television;" disgraceful because of the dishonesty involved. On Saturday August 13, ITV's billings in both TV Times and the national press included something called *Drive In Movie*.

That phrase clearly suggests a real film, since Americans do not "drive in" to watch anything else. Moreover, at the head of the billing, TV Times printed its "Film" logo, the word being contained within sprocket holes, thus reinforcing the message "This is real cinema." In fact the work on show was a 15-year-old American television programme called *Satan's School For Girls*, which is dismissed in "Halliwell's Television Companion" as a "lunatic farrago." Leslie Halliwell was, for many years, chief buyer of American material for ITV.

* * *

Since the beginning of *Crimewatch* I have opposed the nasty habit of reconstructing for television violent and horrible crimes in a manner which can have no bearing upon their solutions and for which there is no apparent reason other than the building of big ratings. The fear of crime which pollsters discover nowadays, particularly among the elderly, appears to be out of all proportion to the likelihood of an individual getting hurt, and it seems possible that this fear is increased, if not instigated, far more by such factual series such as *Crimewatch* than by fantasies such as *The Equalizer*.

But perhaps *Crimewatch File* (BBC1, Wednesdays) could be a solution. Last week's programme, "The Railway Murders," did not aim at getting the public to help solve a crime. It was, rather, a reconstruction of a case – involving John Duffy, who had raped and murdered three women – which had, for a long time, been *sub judice*. There have been many crime reconstruction series, from those of Edgar Lustgarten to the present day, and this was a more than usually competent example. The thing to do, surely, is to separate such reconstruction from the "Police 5" notion of getting the viewer to help the police, so that those who enjoy watching crime reconstructions can do so, and those who want to help the police without any such reconstructions can also do so.

* * *

It is difficult to believe that the BBC itself would dare to produce a series which looked quite as cheap as *Late Great Britons*. These programmes, which have been reconsidering various historical reputations, ending last week with Oliver Cromwell, were made by Brook Productions and, presumably, were supplied to the BBC as part of the 25 per cent of independently produced material which the Government wants included in BBC and ITV schedules. There has been nothing much wrong with the historians involved or the facts imparted, but the single-presenter, single-set technique has looked starkly economical, like a post war Utility style approach to television. Yet nobody can blame the BBC. . .can they?

* * *

When viewers express their yearning for "a proper play with a beginning, a middle and an end," what they mean is probably something very like "The ITV Play" on Sunday: *Better Days*, by Robert Pugh. This tale of a Welsh widower, who saw his ambitious barrister son in his true light only after they started living in the same house in a posh part of Cardiff, was slow, gentle, sentimental and melancholy, but rather well acted.

In particular Glyn Houston was perpetually watchable as the widower, Edgar. Such a polished performance makes you wonder what happens to actors such as Houston, who began with Jack Warner and Dirk Bogarde in *The Blue Lamp* and played what seemed like an endless succession of policemen and doctors in cinema and television, but then disappeared, from my view, anyway, for decades.

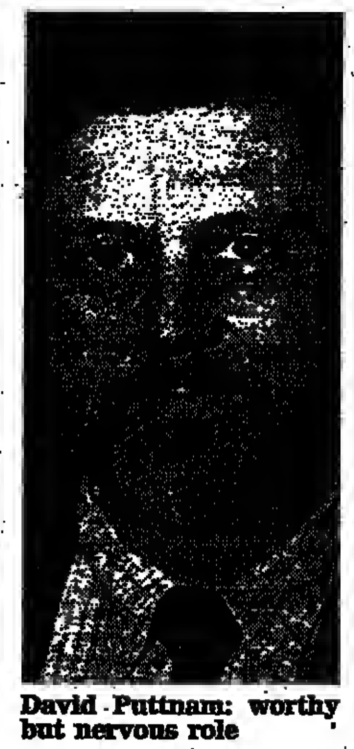
* * *

There is a bizarre touch of genius about the television commercials for a beer called Miller Lite. The first to claim my attention began with an all-grey shot over the shoulder of a pigeon and the words "Bow, bow, bow" (I think), followed by the message delivered by a number of young men: "To all you out there, with your heavy lives and your heavy beers. . ." and ended with the punch line: "Miller Lite: it ain't heavy."

The new commercial opens with the pop song "The Road Is Long," which starts on a mounting harmonica and moves to a vocal about a road "with many a winding turn." A young man with a prize-fighter's face and a big smile picks up a little old lady and carries her across the road; joins in a game of basketball; marches into a pub, throws his hat on the bar, and gets served ahead of all the other thirsty customers. The punch-line of the song and the commercial is "He ain't heavy, he's my brother."

I suspect that this advertisement comprehensively breaks the spirit of the rules governing alcohol promotion, with its references to strength and sport, but technically it is a superb piece of film making. In 60 seconds it uses four locations, three mixes and 18 cuts, yet it feels wholly relaxed. The story line is unpredictable but immensely strong, and it has that rare quality: "repeatability." Does it sell beer? Who knows – I for one have never tasted Miller Lite.

Christopher Dunkley


David Puttnam: worthy but nervous role

'I have opposed the habit of reconstructing violent and horrible crimes in a manner which can have no bearing upon their solutions'

Music in the Usher Hall

EDINBURGH FESTIVAL

Apparently undiscouraged by an almost empty Upper Circle – where have all the students gone? does the Festival's pricing-policy need readjustment? – the USSR State Orchestra and the Swedish Radio Symphony have been doing their best in the Usher Hall, and were warmly received. The stamp of Yevgeny Svetlanov on the Soviet orchestra is plain, for he has been conducting them for some 23 years; young Esa-Pekka Salonen is a more recent recruit to the Swedish forces, though he seems to have them in hand.

I heard Svetlanov's third Festival concert, which like the other two was devoted exclusively to Russian music. Presumably the flashy little encore-pieces at the end showed off the orchestra's proudest virtues: tight ensemble-playing by the separate instrumental groups, gleaming attack, roof-raising volume. Nothing more was needed for Svetlanov's own piece in the announced programme, a Rhapsody called "For his Sixteenth Birthday." One first supposed it to be a tribute to a son or nephew, but on the musical evidence (naively exotic in the popular Russian vein) it seemed more likely to be a work of the composer's own sixteenth year.

Those quaint axarcises seemed to confirm what the performances of Chaikovsky's fantasy "The Tempest" and Skryabin's Second Symphony suggested: that the USSR State Orchestra is something like a brilliantly honed 19th-century band of distinct, specialised sections – strings for passionate articulation (strictly regimented), woodwinds for evocative colour, brass for aggressive thrills. The trumpets and trombones always retained a strident edge, obviously deliberate, and found it hard to melt into the background when accompanying. In music scored just in that way the orchestra dazzles; with subtler scoring it can sound inflexibly bright.

That was often the effect in their well-practised Skryabin. The composer's piano music of the same period trades upon far lighter touches and more chiaroscuro than we heard here, and we were more often aware of one orchestral section after another being wheeled into action than of a continuous symphonic texture. The obbligato bird-song effects in the central Andante were so crisp and emphatic that the real music slipped by almost unremarked. Chaikovsky's "Tempest" fell into discrete, vivid sections too, seeming less of a coherent whole than it can do. Nonetheless, the Russian players' dashing command of their native idiom offered rewards not easily matched by anybody else.

Salonen and the Swedish Radio Symphony offered Schoenberg's Expressionist monodrama *Erwartung*, with the soprano Karan Armstrong, and Stravinsky's *Rite of Spring*. For all Salonen's knack with vivid sounds, *Erwartung* was a remarkably mild affair – mostly quite lucid, but also quite tame.

A proper hell-for-leather attack was saved for the *Rite*. Though Salonen dwelt lovingly upon a few slow passages, often setting their elements in intriguing and unfamiliar relief, sound and fury dominated. There was plenty of expert playing, but the full effect of relentless ritual needs much steadier building and firmer holding-back than Salonen managed. Almost every violent section accelerated as it proceeded, losing tension even as the bombardment grew. The "Dance of the Earth" at the close of the first Tableau left no room for anything in the second part to top it: a clear case of *ejaculatio praecox*, I thought.

David Murray


Alastair Muir

Sara Kestelman and Lorcan Cranitch in *Bussy d'Ambois* by George Chapman, which opened at London's Old Vic last night

Glass in a new light

In one of London's biggest record stores, discs of Philip Glass's music nestle on the racks of "New Age" artistes, alongside the likes of Harold Budd and Robert Fripp. He has triumphantly escaped from the ghetto of the avant garde, and has done so by attracting a new public from the fringes of the rock world.

His recent work is an artful combination of chic cultural allusions – in this cross-over age it's pretty smart to build an opera around Einstein, Ghandi, or a hermaphrodite monotheist Pharaoh, even better to adapt a piece of Doris Lessing sci-fi, underpinning it with easily assimilable music. To generations that take the albums of Talking Heads or Brian Eno in their stride, Glass presents no problems.

Bnt then neither would recent Stockhausen, though one could argue that the American's dramatic instincts are rather more convincing than the West German's; Glass's unique and still burgeoning popularity, and his knack of bridging two often disjunct musical worlds, needs explaining. *Opera on the Beach* is described as "Philip Glass on his New World of Music Theatre," and promises that explanation. It doesn't deliver that promise, but it is an easy, informative read, lncidly put together and edited by the *New York Times* critic, Robert T. Jones.

There is a concise piece of antohiography to begin, sketching in Glass's early life, his studies in Paris with Nadia Boulanger, his first forays into fringe theatre in New York and the early minimalist scores, before the genesis of the three operas that made him the hottest property in contemporary music theatre is detailed. The tone is remarkably free of malice: along the way Glass must have encountered considerable hostility and made not a few enemies, yet there are no old scores to be settled in print.

Opera on the Beach reprints the librettos of *Einstein on the Beach*, *Satayagraha* and *Akhnaten*, and gives the salient features of the musical organisation of each of them. Robert Wilson's part in the creation of *Einstein* is thoroughly acknowledged – it is just as much "his" work as Glass's – but in the later works the collaborators have become progressively less important. Glass is evidently a fast learner, and in that, one suspects, lies part of the secret of his success. His preparatory work for both *Satayagraha* and *Akhnaten* appears to have been impressively thorough: he immersed himself in the life of Gandhi and the history of Ancient Egypt to such extents that the composition of the music almost became a subsidiary consideration. Glass's operas, one realises, are cunning cultural packages, adroitly assembled, in which the music is but one element – a Wagnerian *Gesamtkunstwerk* for the Global Village.

Why then does his work, evidently so thoroughly professional, arouse such hostility in some quarters? In one sense the problem is not Glass's fault but lies with the ways in which the music industry, from opera houses to record companies, will always take the line of least resistance and maximum profit. An opera house that commissions a Glass opera will guarantee itself good audiences, and be able to pat itself on the back for supporting contemporary opera; it would almost certainly recoil in horror from the suggestion that instead it commissions, say, Nono or Carter. In such a way the Glass idiom becomes the norm for contemporary opera – accessibility is everything, and those who have bewailed the crisis of modernism for most of this century can see their alienation vindicated.

In this respect Jones's introduction to *Opera on the Beach* is revealing: he admits to a thorough dislike of most contemporary music and is worried by the apparent gap between it and the audience. Glass and his minimalist contemporaries, Riley and Reich, offered him a personal way back – "Perhaps in simplicity was an escape from complexity. . . No one composer invented this new music. It was an eruption of the times, an *inevitability*."

The recent success of John Adams's *Nixon in China* shows that the triumph of the bland is not confined to Glass, and that the public for this music is large. But it is a different public from the one which supports the standard operatic repertory, though that matters not at all to the opera-house managements, which can see their honses regularly filled. The gap is still there: Glass has not converted the non-believers, but filled a vacuum, temporarily at least, while the mainstream of contemporary composers who want to write operas are starved of support.

Andrew Clements

OPERA ON THE BEACH
By Philip Glass. Edited by Robert T. Jones
Faber. £17.50

Britten and Schubert

ELIZABETH HALL

The South Bank mini-festival of Schubert and Britten turned up an oddly divided concert on Monday. Considered in a ruminative sort of way, *Winterreise* and Britten's last string quartet might seem to pair well (a natural programme for the recent "Endgame" series); but the Endellion Quartet were determinedly ruminative, like the pianist Markus Hinterhäuser in the Schnbert cycle, whereas the young baritone Andreas Schmidt was a model of self-effacing good taste and literalness. No suggestive comparisons were prompted.

In the long-studied Endellion reading Britten's op. 94 seems wilfully private music, laden with significations which outsiders can only guess at. The spare string-writing is exquisite, hnt refuses to expand: its nodes are silent suspensions and small, spidery turnings – not the stuff of overt drama, nor readily accessible to anyone unfamiliar with the Britten *oeuvre* that went before it. For initiates, this performance offered continual unemphatic subtleties; it is an open question whether a bolder silhouette for the work would incur real losses.

Schmidt's well-instructed appreciation of the great *Winterreise* cycle (he is a Fischer-Dieskau pnpil) was not unsubtle, but it was terribly bland. In general his tempi and phrasing were irreproachable; and yet no salient change of thought or heart within a single song was registered in his tone or his vocal gait. His rare efforts – as in the unavoidable wrenches of "Rast," or his placid cries of "Mein Herz!" – sounded like surface histrionics. A sense of develpoment was sorely missed. His light, attractive timbre was secure in middle-range mnsic, thinly stretched in the lower reaches and in quick passages, brittle at the top. He has still to learn how to nse consonants to expressive effect.

Hinterhäuser was a vital partner to Brigitte Fassbaender in her searing account of *Winterreise* last year st Hohenems. This time he was careful not to loom over Schmidt's lyrically innocent version, hut again and sgain it was he who exposed – with unassertive tact – the crucial turning-points that the singer left unremarked. I was not persuaded that justice can be done to the cycle by making it an exercise in grsceful vocal ntterance with all the deeper intimations entrusted to the piano.

David Murray

Royal Philharmonic

ALBERT HALL, RADIO 3

The poetry of Byron, or at least its various musical treatments, was an obvious thematic thread to be woven into the present literary Proms in the poet's bicentenary year. The season is not inclnding the whole of the most ambitious score built around his work, Schumann's incidental music to *Manfred*, but Berlioz's *Harold in Italy* has been performed, and the main work in the Royal Philharmonic Orchestra's programme was Chaikovsky's *Manfred* Symphony.

Vladimir Ashkenazy conducted the work with the same orchestra last season, and to that impressive account he has added further dramatic toughness, particularly in the outer movements. The RPO's command of the score continues to grow, thongh the scherzo, Chaikovsky at his most picturesque, still seems less delicate and more prosaic than it might, as if Ashkenazay mistrusts music of snch simple delicacy in snch a rigorous symphonic context. Even the episodes of the finale proceeded with an inevitability that escapes less comprehensive performances and seemed born of a conviction that the work coheres, with or without knowledge of its programme.

Manfred had been prefaced with Richard Strauss, rich-toned, muscular Strauss, in which full-blooded emotion and saturated textures were the distinguishing marks. Neither of the works – the Dance of the Seven Veils from *Salome* and *Metamorphosen* – is conventionally conceived in that way, and the passion of the Dance, romantic, *Rosenkavalier*-like warmth rather than nervy, expressionist sensuality, did not totally convince. But such an open-hearted *Metamorphosen*, in which every contrapuntal line was fully freighted with intensity and each rhythmic profile etched with fierce clarity, was absolutely compelling.

In both Strauss works, as in the symphony, the RPO played with a distinctive pungency; if Ashkenazy's tenure as the orchestra's music director brings about a genuine change in its character – away from rafined datachment and towards unbuttoned commitment – its position in London will become quite noteworthy.

Andrew Clements

ARTS GUIDE

August 19-25

THEATRE

London

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's Diary of a Scoundrel in an old Rodney Ackland version, with remarkable Expressionist designs by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. Until August 15. (928 7616, credit card bookings 261 1821).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally stimulating new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. (836 6404, credit cards 379 6233).

Netherlands

Amsterdam, Staddschouwburg. The English-Speaking Theatre of Amsterdam in Agnes of God by John Pielmeier, directed by Bryce Pederson (not Sun or Mon). (24 23 11).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry. (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York. (598-7100).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15. (254 3770).

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections. (254 3670).

Tokyo

Takigi Noh (Sensoji Asakusa Kannon Temple). Japan's ancient and esoteric theatrical art form takes to the open air in summer, with special performances by torchlight in temple compounds that always attract large crowds. A Noh play and a comic interlude (kyogen) form the programme for this performace by the Kanze Noh School at Tokyo's most famous temple. Thursday only. (842 5311).

The National Theater of the Deaf (USA) with the Japan Theatre for the Deaf (Sunshine Theatre, Ikebukero). Worth seeing even by people who can hear. Ends August 28. (987 4369).

The Sound of Music (NHK Hall). Touring production (in English) of the ever-popular and oh-so-sentimental Rodgers and Hammerstein musical with Pat Boone's daughter, Debbie, as the singing Maria van Trapp. Ends August 31. (237 9000).

Idamante (Nakano Sun Plaza). Spectacular but bland Japanese musical based on Mozart's Idomeneo and starring pop idol Masahiko Kondo (Machi). The production is by kabuki showman Ichikawa Ennosuke, aided by the design team that made his Super Kabuki production, Yamato Takeru, such a success. Ends August 24. (379 2609).

Opera-za no Kaijin, better known as The Phantom of the Opera (Nissei Theatre). Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening. (503 3111).

Les Misérables (Imperial Theatre). This stirring musical adaptation of Victor Hugo's novel of the Paris barricades has returned to Tokyo for another four-month run. (201 7777).

Edinburgh Fringe

Hull Truck have come to the Edinburgh Fringe mob heavy this year with five productions, two of them world premières. They eased themselves in with *September in the Rain*, written for the company by John Godber when he arrived as artistic director in 1984.

t is a sentimental two-hander about a Yorkshire couple's 40-year love affair with Blackpool which gives sentiment a good name. OK, so you can virtually make up the dialogue for yourself as Andrina Carroll rhapsodises about the sea air as the couple arrive for their holiday. From then on all the seaside postcard topics, from the idiosyncracies of landladies to undressing on the beach, get their airing, but it is done with such gentle niceness that if a couple quite so uncomplicated as Jack and Liz could never exist, it's the world's loss.

He is a miner, silent and unemotional, bnt quick to anger; she a twitterer, and a bit of a goer. What gives the play its power is the sudden storms that rise between them and also the under-playing of key topics – what happened to their children; just how sick is Jack?

There is a perfunctory attempt at time-passing, with Andrew Dunn never quite suggesting that he was ever young while Andrina Carroll fails to age. But this is all about mood, and as a humorous, sympathetic vision of the small pleasures of the poor it could hardly stand more subtle treatment. Direction is by Neil Sissons and it will fill the ballroom at the Assembly Rooms.

In the same venue try and catch *Victor and Barry Say Goodbye*. These Brylcreemed fools run the Kelvinside Operatic Society with, well, not exactly an iron hand. Nor a totally limp wrist. The attraction of the spoof is that the campness is kept genteely at bay, just. No-one questioned whether the Western Brothers shared the same bathroom cabinet and there are enough merry quips in this musical reverie of life on the right side of the Glasgow tracks to keep Aunt Maggie happy.

It is hard to be mordantly witty at 11 in the morning. I doubt if even Dorothy Parker managed it. So warm applause for Susanne Rock, who has built a one-woman show out of the life, both factual and fictional, of the Manhattan quipper. It naturally stresses the wreck beneath the bons mots, and is hardly one big laugh. *An Audience with Dorothy Parker* is at the Playhouse Studio.

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A speech impediment down the line confused the name of the promising Australian jazz singer at the Assembly Rooms on this page yesterday. She is *Kate Ceberano.*

Antony Thorncroft

FINANCIAL TIMES
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Wednesday August 24 1988

The curse of specialisation

MR KENNETH Baker, the UK Education Secretary, claims to recognise the case for a broader curriculum. Yet his deeds rarely seem to match his words. Earlier this year, following pressure from Downing Street, he poured cold water on the Higginson report on A levels. Professor Higginson and his colleagues had argued that 16-18 year olds ought to study five subjects rather than the two or three customary today. This would have brought the UK more into line with practice abroad, made sixth formers more useful to employers and increased the range of their own cultural and scientific interests.

It now appears that the Government's commitment to a broad curriculum is weakening even at the General Certificate of Secondary Education stage. Early specialisation can be avoided only if all pupils spend a reasonable time studying each of the main subject areas. Last week, Professor Jeff Thompson, the chairman of the science working party, argued that all pupils should follow a full science programme at secondary school leading to a double certificate examination at GCSE. This would provide a basis for a higher level study of science in the sixth form and beyond – and not just those who intend to become scientists or engineers as adults.

Heavy demands

The science programme outlined by the working party looks stimulating and innovative. But because it involves the integrated study of biology, chemistry and physics, it would make heavy curriculum demands. For 15 and 16 year olds, up to 20 per cent of the overall school timetable might be absorbed by science. Professor Thompson concedes that the time allocation could be less in the final years, but only if more time was devoted to science at an earlier stage.

The working party's estimates of the timetable demands of science look reasonable. But they are encountering vigorous opposition at the Department of Education. Mr Kenneth Baker, the Education Secretary, in a formal comment last week said that the department doubted "whether it is realistic to expect all pupils to spend as much as 20 per cent of their time on science in years four and five, leading to a double GCSE certificate." He has therefore asked the experts to come up with a balanced science programme which can be covered in 12½ per cent of curriculum time, leading to a single GCSE certificate.

Bigger retreat

This is a bigger retreat than it might appear. It will be hard enough to condense biology, chemistry and physics into a double GCSE, given that they are today regarded as three separate subjects. The notion that a worthwhile science education can be provided through the taking of one GCSE is laughable. Mr Baker and his officials are demanding the maintenance of an unsatisfactory status quo: in the past students intending to specialise in arts subjects have tended to take only a token science O level.

If the Government's commitment to a broad curriculum is to mean anything, it must attack the notion that 13 or 14 year olds are ready to decide on their future careers. If children of this age are allowed to opt for a single science GCSE, they will effectively be opting not to become scientists or engineers. Yet they are far too young to make such a decision. Mr Baker ought to ensure that all children take at least a double GCSE in science and accept the timetable requirements indicated by the working party.

The allocation of up to a fifth of the timetable to science would not constitute a downgrading of arts subjects. It would merely represent an honest admission of what is necessary if all children are to get a balanced education. Ideally, such a balance would be sustained at the sixth form stage. The present practice of only two or three subjects during their final years has created an absurd schism in society: the numerate are barely literate and vice versa. If the Government fails to tackle the pressing problem of early specialisation, it will have failed to reform the educational system. It is time C. P. Snow's "two cultures" were merged.

Iran and Iraq prepare to talk

WITH THE GULF ceasefire which took effect last Saturday apparently still holding despite repeated accusations of bad faith by both sides, Iran and Iraq embark tomorrow on an attempt to salvage what political capital they can from the wreckage of their eight-year conflict.

The first meeting in Geneva between Mr Ali Akbar Velayati, the Iranian Foreign Minister, and Mr Tariq Aziz, his Iraqi counterpart, is bound to be acrimonious. Achieving a comprehensive settlement between the two countries was always going to be an infinitely more difficult task than agreeing a truce – one which Mr Javier Perez de Cuellar, the UN Secretary-General who is presiding over the talks, has already acknowledged will have to be measured in years rather than months.

Nevertheless, the fact that the two governments are sitting down together so soon after the ceasefire is a positive sign and one that in time could be built on to create greater stability. Each has, after all, spent the best part of a decade trying to prove the other's illegitimacy. By agreeing to talk at foreign minister level, they have already taken the first step towards burying that specific hatchet.

Political disputes

Aside from the question of recognition, though, the political disputes between the two countries remain almost as intractable as they were when the war began. Both have undiminished regional leadership ambitions, even if they have been unable to fulfil them by military means. Each is likely to see making concessions to the other as a dangerous display of weakness which could be exploited at a later stage.

Mr Perez de Cuellar's task is to persuade both governments that, although they will never be brought to like each other, they each have a real interest in achieving a durable peace rather than a settlement which gives one side a short-term advantage.

Iraq's President Saddam Hussein has been swift to characterise the ending of hostilities as a major victory. This is an absurd description for an outcome which, after enormous death and destruction and Iraq's illegal use of chemical weapons on a large scale, merely reproduces the status quo ante bellum. Baghdad's crowing, moreover, is almost unlikely to make Tehran any more malleable in the Geneva talks. In reality, this futile conflict has produced neither victor nor vanquished, and the peace settlement should reflect that fact.

The two main bones of contention as the talks unfold are likely to concern the apportionment of blame for the war (and the attendant issue of compensation), and the location of the frontier.

Resolution 598

For the first of these points, provision has already been made in UN Security Council resolution 598, under which a ceasefire has been implemented: as Iran has demanded, an impartial body is to be set up to inquire into responsibility for the war. Mr Perez de Cuellar should establish this without delay, and give it a brisk timetable to conduct its work: it is bound to report that Iraq invaded Iran, although its verdict will be suitably qualified with considerable evidence of Iranian provocation.

The border presents just as delicate a problem, specifically the southern frontier which runs along the Shatt al-Arab waterway. Iran has said discussions should be based on the 1975 Algiers accord, which places the border along the thalweg, or the middle of the Shatt's deepest channel. President Saddam, however, who tore up the Algiers agreement on television before invading Iran in 1980, is likely to claim full sovereignty over the waterway, Iraq's only access to the Gulf.

The issue has immense, if now largely symbolic, importance to both sides, and the UN would do well to remove it temporarily from the argument by proposing some form of international stewardship for the Shatt al-Arab pending resolution of its final status. A border dispute should certainly not be allowed to jeopardise the long-range chances for real peace in the Gulf.

Nick Garnett on international pressures for mergers in engineering

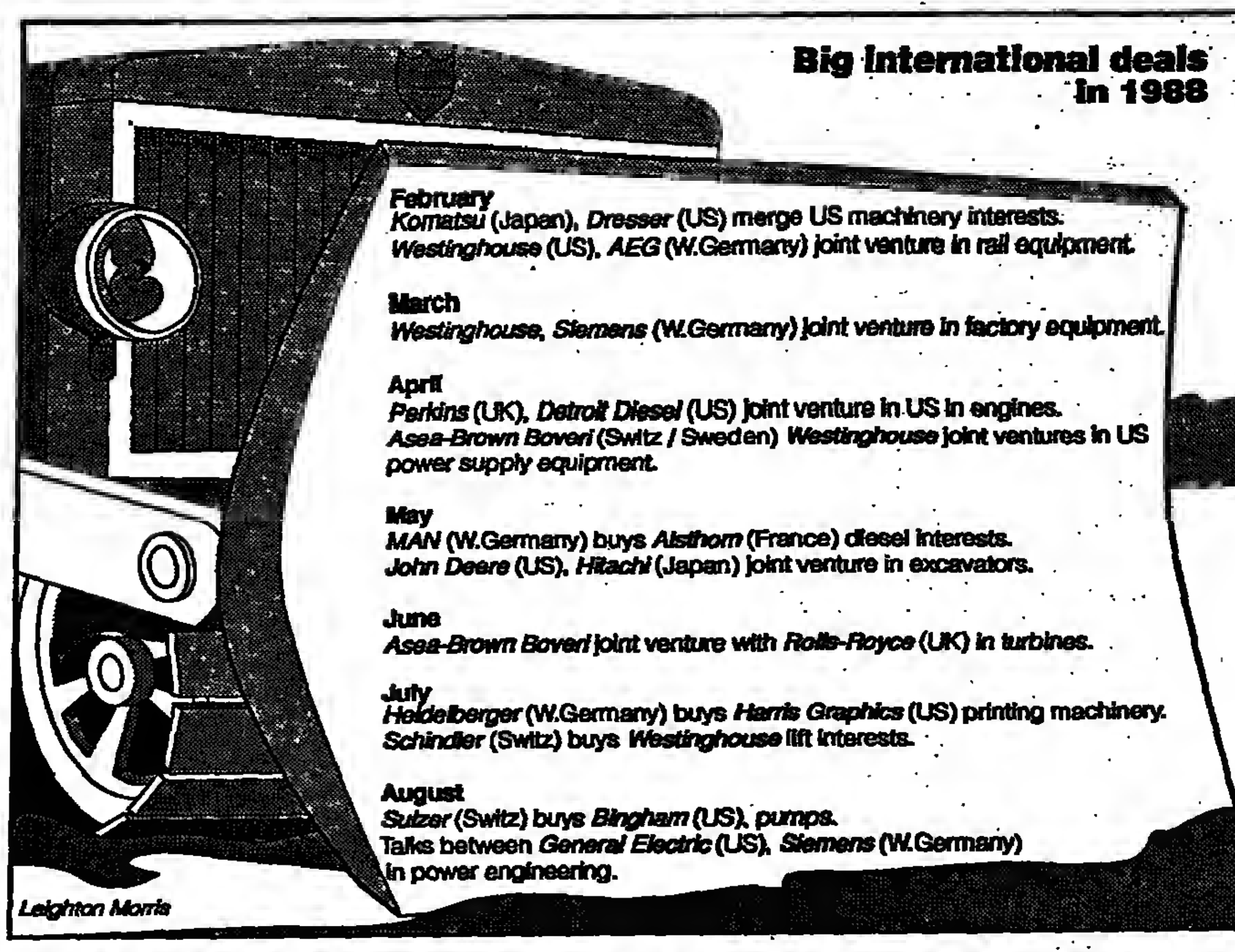
The relentless drive for size

IF there was one phrase that outlived its relevance almost before it hit the mouths of those who used it, "small is beautiful" must be it. As a catchphrase signalling the demise of the corporate giant and the rise of the little man, it was the most hackneyed line in the business life of the early 1980s.

The past few years have rendered the term meaningless as the biggest companies in a raft of industries from food and drink manufacturing to domestic appliances gobbled up or elbowed out smaller and weaker competitors.

Now a clutch of ownership changes in one of the last significant bastions of corporate fragmentation, heavy and medium engineering, is finally consigning the small is beautiful tag to the rubbish bin.

During the past few weeks alone, big acquisitions in elevator manufacturing, pumps, power station equipment and printing machinery have tilted market power towards the bigger and tougher company – a trend gathering pace over the past three years. The same thing has been happening in construction machinery, food making equipment, paper making machinery and in areas of the factory automation and materials handling industry.



In engineering, clever niche manufacturers will always survive. But the best of the bigger companies are becoming larger through acquisitions and joint ventures. They are seeking control of more markets and broadening core product ranges in order to offer customers complete services and systems.

One trend is a thrust by European companies into North America. Within the past month alone, Schindler, the world's second largest lift maker has acquired the US elevator interests of Westinghouse. Another Swiss company, Sulzer, Europe's second largest pump company has bought Bingham, an important Oregon-based pump manufacturer.

During the same few weeks, Harris Graphics in the US has been absorbed by West German printing machine maker Heidelberger Druckmaschinen which already claims to be the world's largest supplier.

Two huge electrical companies, Siemens of West Germany and America's General Electric have opened talks on a possible link-up in power engineering. This follows the merger of Siemens factory automation interests with those of Westinghouse.

All this fits in with a broader move towards bigness. For every huge acquisition by a European company in the US there has been a string of ownership shifts within Europe. Some, though by no means all of these involve cross-border purchases and alliances.

The contested takeover of Télémécanique, a factory automation equipment maker, by Schneider, a fellow French company, was part of this. So, too, was the takeover by MAN and MTU in West Germany of the diesel business of Alsthom of France. The fierce battle between Britain's APV and Alfa Laval of Sweden in food and drink making equipment, spurred APV's purchase of Baker Perkins in the UK and Pasilac, a Danish dairy and brewing equipment supplier.

Such deals follow last year's most spectacular joint venture in Europe: the merger of Asea of Sweden and Brown Boveri of Switzerland. This created a group with combined sales of $18bn – a giant that, through sheer size, has unsettled the rest of Europe's heavy engineering companies.

In industries with thousands of companies, these trends are by no means universal. For machine tools, the European directory alone is 160 pages long with an average of six machine tool companies per page. The number of valve makers is so huge it is probably unguessable.

Even when some of these sectors are home to a big takeover, it often leaves little impression. Last year's purchase of Buschman, the US conveyor maker, by Germany's Demag hardly made a mark in the heavily compartmentalised conveyor industry. But for those sectors where there have always been a few large suppliers as well as a welter of medium sized and small companies, power is being increasingly concentrated in the hands of the bigger and richer.

Opportunism is one reason for this, and so is a self-reinforcing momentum created out of a fear of being left out. But a lot of corporate boards now say that having critical mass is essential to the ability to compete. You have to be a full line supplier of a complete range of equipment and you must have the financial muscle to scoop up loss-leading contracts. If you don't have the mass yourself, then buy it or get a partner which has.

The rush of purchases in North America has been partly caused by the relative cheapness of US companies – something that has sparked acquisitions in many other industries. It is also sparked simply by companies coming up for sale. Westinghouse, in particular, has sold off operations or slid them into joint ventures at a rapid pace – creating opportunities for others.

However, acquisitions in North America have also had an underlying logic. Most have been carried out by companies desperate to grow by gaining a solid foothold in the big US market, sometimes with a well-founded fear that if they do not bid for a company up for sale, a European, US or Japanese competitor will.

A classic example of this trend was the decision this year by Dresser of the US and Japan's Komatsu to merge their earthmoving machinery manufacturing and distribution operations in North America.

Between them, Caterpillar, the world's largest producer, and Komatsu, the second largest, control 50 per cent of world sales. Some estimates suggest that this share will rise to 75 per cent in the 1990s. Both companies have been adding products to their ranges through alliances. Just below these two giants, Hitachi, Fiat and John Deere are fighting back by setting up a series of criss-cross deals among themselves.

But Komatsu's plan to try and hunt Cat down has recently come unstuck. The US company, once in deep trouble, has been putting the heat on its Japanese competitor. Komatsu's market share in North America has actually fallen. The deal with Dresser gives Komatsu new manufacturing space in North America, extra distribution clout and a new lease of life in the world's biggest market.

Similar motives lie behind Schindler's estimated $500m purchase of the Westinghouse lift interests. This was designed both to reduce the Swiss company's dependency on Europe and to attack the world's number one producer, Otis, on its home ground, North America. Before the acquisition, the US accounted for only 15 per cent of Schindler's sales. In the same way Heidelberger, which despite its $1.1bn sales had no production plant outside Germany, saw its $300m purchase of Harris from AM International as a way of getting further into the North American market.

The same kind of thinking partly governed another big move in heavy engineering this year – the decision by Asea Brown Boveri (ABB) and Westinghouse to combine their North American power generation and transmission businesses into a pair of large joint ventures. The two joint ventures – in which Westinghouse has a 65 per cent stake – have $2bn of sales and 16,000 employees. Before those mergers, ABB was an outsider in a US power market which accounts for 25 per cent of world electricity consumption and is dominated by General Electric and Westinghouse.

Another of Westinghouse's deals – lumping its transportation equipment businesses in with those of West Germany's AEG – was also motivated, it appears, by the desire to obtain some kind of critical mass. AEG itself is now owned by Daimler-Benz.

The usual arguments about combining research, marketing and product lines aside, some of these deals were the product of fear. Schindler was worried that someone else, like Kone of Finland or one of the big Japanese lift makers, would step in. Horst Slayer, Heidelberger's sales director, says the company was afraid that Harris would fall into the hands of Komori, the rapacious Japanese printing machinery maker. Komori had made a substantial offer for Harris, an acquisition which would have given Komori a production facility in Europe.

Percy Barnevik, ABB's chief executive, says the formation of the North American joint ventures with Westinghouse gives the two companies more strength and flexibility to compete with the Japanese. In power engineering, Mitsubishi, Hitachi and Toshiba have huge capital bases and technological capability.

These deals across the Atlantic are being mirrored by increasing concentrations of power within Europe. The big UK and Italian engineering groups appear to be standing aloof from this but elsewhere there is a small-scale land-rush.

In materials handling for example, Linde, the West German group with interests ranging from industrial gases to lift trucks, is building itself a dominant position. It already has two big lift truck brands, Linde and Still, has for many years owned an operation in the US, and last year purchased Wagner, the big German maker of automated guided vehicles. It gave notice this year that it wants to increase its line of add-on products. "With its large capital base, I think people are becoming frightened of Linde," says one lift truck company manager.

BT in Sweden seems determined to meet this challenge and other big suppliers, such as Lansing in the UK, might have to follow suit to protect themselves.

In pumps, the acquisition of Pumpes Guinard in France by Klein Schanzlin and Becker and Weir's purchase of Mather and Platt in the UK is focusing that industry on a fewer number of players. With the takeover of Pleuger in Germany by Dresser, there are now only five major suppliers of pumps for power engineering. In the fierce three-cornered fight for the world's paper making machinery market, Valmet in Finland has been acquiring other European companies to give it a much broader product range in a move which has worried its two principal competitors, Beloit in the US and Germany's Voith.

Even in agricultural equipment, where there has already been a big shake-out, changes are continuing. Deutz in Germany is slowly absorbing the Mercedes tractor division and entering a co-operation agreement with Greenland, the Dutch maker of bailers and other equipment.

It is in power engineering, though, that the Europeans are really getting shaken up. "Everyone is talking to everyone else. There is more of this going on in this industry than at any time before," says Bob Davidson, head of the power engineering division of GEC in the UK.

The merger of the technically competent Asea with the larger but weaker Brown Boveri, the prospect of a more open European market after 1992 and the pressures of a cyclical industry are already having their effect. Alsthom's purchase this year of the power equipment business of ACEC in Belgium will almost certainly be followed by other deals.

There is no guarantee that all these realignments will work. But if many do work, which type of company will lose as a result? Conventional wisdom says the losers will be those middle sized groups that try to fight it out head to head with the big companies, but with far smaller resources. This view is not yet proved. But it will be tested during the next big cyclical downturn in worldwide demand, whenever that comes.

Academic freedom

■ JOHN JEWKES, who died last week aged 86, was a pioneering student of the economics of innovation and a zealous defender of individual and academic freedoms. He loved to question the factual basis of the conventional wisdom; despite 21 years as a professor at Oxford, he did not fit easily into any school of modern British economists, although Lionel Robbins was a close friend. His biggest study, of the sources of industrial inventions in the twentieth century, was launched in 1953 at a time when economists had shown little interest in the subject for half a century, but when they were becoming excited about the importance of technical change for economic growth.

Jewkes thought that economists should know something about the way in which technical progress happened before they prescribed policies for its encouragement, and felt profoundly sceptical of the widespread belief that the large research laboratory was the ideal instrument for promoting invention. His conclusions that half a large sample of important industrial inventions had originated outside such laboratories, and that encouraging a multiplicity of sources was the best way of stimulating innovation, did not strike responsive chords in British governments. But his example did help to make innovation studies and science policy fashionable branches of economics, even if the flow of empirical studies has been smaller than Jewkes would have wished.

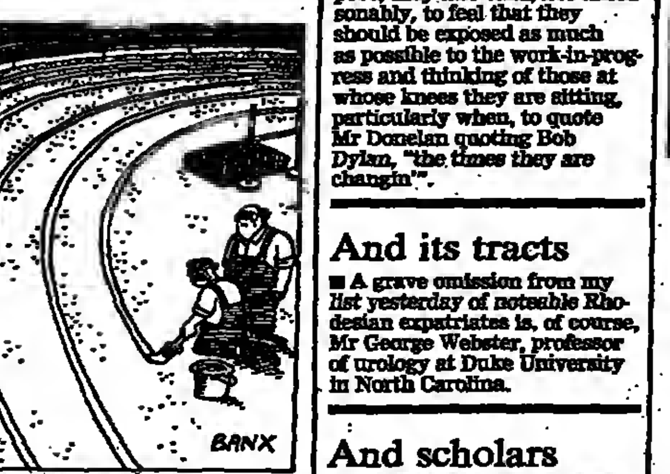
His work on invention had been launched at the University of Chicago, and Princeton also provided him with a home from home in America. Jewkes's views were always better received in the US with its stronger tradition of free market economics and empirical research. The Institute of Economic Affairs, of which he was an early supporter, provided his most sympathetic surroundings in Britain. His fierce attacks on economic planning did not endear him to the policy-making establishment – until it changed in the last decade of his life.

Jewkes belonged to the old British tradition of economists who described their findings in lucid, literate English. (So successfully that Samuel Brittan's headmaster once confessed he was the only economist he could understand). He did not share the modern inclination to algebraic conclusions. Nor did he believe that economists should devote so much effort to forecasting: nothing, he once said, had done so much to lower the standing of economists than their claim to be able to foretell the future.

Nor did he sympathise with the modern preoccupation with the quantity of their output: concerned with the quality of his writing, he once remarked that it was a pity that Fritz Machlup had become so obsessed with his publication list, because he could see how the quality of his work had declined. Machlup, a true workaholic, used to say that it was a pity that Jewkes was more interested in gardening than in economics.

He was indeed a keen gardener, devoted to improving his own garden and that of Merton College. This interest went with the other very English aspects of his character, his love of the English landscape, its wildlife and its buildings. In his later years would write in a motor caravan on the Wiltshire Downs. Not, perhaps, the image of a modern professor of economics; but his concern for freedom in every sense showed his affinity with older intellectual traditions.

OBSERVER



They're painting the extra lane for Sebastian Coe

And its lack

■ In less obvious accord is the decision taken by the International Relations Department at LSE that in the coming academic year its general seminars should no longer automatically be open to research students. Instead they will require an invitation from a faculty member to attend and these will be restricted to one per faculty member per seminar.

According to Michael Donelan, who runs the seminars and who confirmed the new approach, the reason is that "it is in the general interest of the department, given the enormous changes taking place on the international scene, that the staff should get together and thump it all about." There would still be the network of specialised seminars.

The problem, presumably to be encountered when LSE reconvenes in October, is that the research students may not agree. There is nothing wrong, they feel, with intramural faculty brainstorming; but they regret assigning the popular general seminars, which frequently included good outside speakers, to this exclusive purpose; they also tend, not unreasonably, to feel that they should be exposed as much as possible to the work-in-progress and thinking of those at whose knees they are sitting, particularly when, to quote Mr Donelan quoting Bob Dylan, "the times they are changin'".

And its tracts

■ A grave omission from my list yesterday of notable Rhodesian expatriates is, of course, Mr George Webster, professor of urology at Duke University in North Carolina.

And scholars

■ A British Rail worker, who signs himself Quintilius Varus, writes movingly in the latest issue of Modern Railways magazine of the perils of life as a BR guard. After a passing comparison with Kipling's Tommy Atkins (who was "Saviour of 'is country" when the guns began to shoot) he moves on to horrors like the "Scotch Express," where "some clowns are too drunk to know what a ticket is, let alone show it," before upbraiding BR management for denigrating their own staff. Publius Quintilius Varus was a Roman general who committed suicide after his army was destroyed in Germany in AD 9. Who says scholarship is dying?

Literacy

■ Does it say something about the extent to which buyers of the Sun newspaper only look at the pictures that in spite of its correctly tipping the first name of the royal infant several days ago, William Hill reported yesterday that it had taken not a single bet on Beatrice?

Jurek Martin

Ashley Ashwood

Development pressures: Hatch Beauchamp, which feels threatened by too rapid expansion

A built-up and unpleasant land

John Hunt looks at the problems of villages threatened with commuters or retirement homes

The Government discussion paper on village housing[1] issued in July by Mr Nicholas Ridley, the Environment Secretary, boldly trumpeted its commitment to preserving the traditional way of life in the British village.

"No one wants to see a typical small village engulfed by new suburban development or ribbon development stretching out along country roads or haphazard scattered development in the countryside," it declared.

But these sentiments will cut little ice with many of the 8m people in England and Wales, 16 per cent of the total population, who live in about 10,000 villages or towns of under 5,000 inhabitants. Many small communities have already been swamped by new housing.

The Government paper proposed the construction of entirely new villages in the countryside and the encouragement of housing associations to provide low cost housing. This initiative, which has had a mixed reception, was partly in response to political pressure from Conservatives who are disgruntled over the despoliation of their rural retreats.

Under the present planning system it is difficult to prevent builders nibbling away at villages with fill-in developments or what are virtually new estates on the outskirts. Unless a site is in the sacrosanct green belt or there is a specific reason against a particular project, the presumption is in favour of the developer.

The development of the high speed train and the motorway have brought idyllic areas within the reach of the long distance commuter. There has also been a big increase in the retirement population moving out of towns. The number of pensioners in the English Lake District, for instance, has risen by 13 per cent between 1971 and 1981, 10 times the national average.

At the same time the run-down in farming has meant a decline in the indigenous rural population. The number of farm labourers has dropped by a third over recent years.

As the newcomers from the towns move in to new, high-priced homes, local young people cannot afford the price of a starter home. A report[2] from the Association of District Councils (ADC) yesterday calls on the Government to make more economic assistance available to create employment in rural areas and also proposes schemes for cheap starter homes – with restrictions that would prevent the original purchaser selling the home at an inflated profit.

One such scheme was opened at Chipping Campden, Gloucestershire, with Mr Ridley's encouragement. But the ADC says that, ironically, the Government's right-to-buy legislation has since made these schemes impossible.

The feelings of threatened villagers is summed up in a parody of Goldsmith's poem, The Deserted Village, contained in a local appraisal by the people of Durweston, near Blandford Forum, Dorset. It expresses the fear that the local people and "Darset" speech will be swamped by elderly strangers speaking an alien tongue. Such appraisals, now conducted by many villages, are in effect consultation documents expressing the wishes and feelings of local people on planning matters.

Durweston, a picture postcard village of thatched houses with a population of just over 300, can claim to have held the developer at bay so far. At Hatch Beauchamp, a similar village of 400 people and 200 houses, 40 miles away near Taunton, Somerset, the picture is very different.

For the past six years the parish council of Hatch Beauchamp has been fighting to limit the level of new building in its community of stone and slate houses huddled round the village shop and pub. The council negotiated with Taunton Deane Borough Council to establish a local plan that would phase in an acceptable amount of development over a 10-year periopd. The plan is now in its final stages – but more houses have already been built in the village than the plan allows for until 1996. Permission has just been given for further houses on another site and there are rumours of yet more applications.

The plan allows for a steady expansion by 50 new dwellings up to 1996, an increase of about 25 per cent. But already 57 new houses have been built or are under construction and planning permission has been given for a further 11.

The new homes are in keeping with local architecture. But it is the speed of development and the possibility of being swamped by still more building that worries local people. Some two-bedroom dwellings started at £44,000 but those now going up are £175,000 for a four-bed and £195,000 for a five-bed house.

Mrs Jane Smale, vice chairman of the parish council, emphasises that the villagers are not against all development, but they do want the expansion to be controlled.

"It is spoiling the village," she says. "I don't wish to be pessimistic but now the development has started I don't see us containing it."

A public inquiry failed to halt it and an attempt to take the matter np with tha Ombudsman was unsuccessful.

In a letter to the then Conservative MP for Taunton, Sir Edward dn Cann, Mr Ridley stated: "To defer action on such applications pending a public inquiry into the local plan could be seen as an unreasonable imposition on developers in that it might prohibit or delay development which could reasonably have been permitted."

At Durweston, the parish council has worked closely with North Dorset District Council. The draft local plan proposes that 45 new dwellings should be built in the village for the period 1980 to 1996. As some have already gone up during that period, the plan allows a further 28 up to 1996.

Most of the land in and around the village is owned by the Crown Estate Commissioners and this is probably why developers have found it difficult to obtain building sites.

Mr John Hosford,who has taken a leading role in preserving the village, says cautiously: "I am optimistic that we will retain its character. But we have only been successful so far . . ."

Village over-development places great strains on infrastructure and social services. Many villages no longer have resident doctors and local hospitals have been closed. Dwindling pupil nnmhers have caused the closure of many village schools. The reduction in rural bus services and an influx of people relying on cars means parked vehicles jamming narrow village streets. Many village post offices have closed or are under threat and there are fears that the introduction of the uniform husiness rate could force even more of the marginally profitable village shops out of business.

The native villagers feel they cannot win. More population would mean that some of these services could be saved; but the development that goes with more people could ruin a cherished way of life. Mrs Catherine Chater, secretary of Rural Voice, a national alliance of 10 voluntary organisations, says market forces will not solve rural housing problems. Sha believes the Government's proposal for new villages is completely irrelevant.

Action with Communities in Rural England (Acre), in a recently published report, Who Can Afford to Live in the Countryside?[3] proposed that a local needs category for social housing should be added to the planning system. Under this designation planning permission would be given on the understanding that huilding would only be done by a housing association.

While the debate rages, pressure on village life rises. Government figures show that over the past 20 years the population in many rural areas has increased by more than the national average, while the population in the large towns and cities has fallen.

But village existence is not always as charming as tourists might suppose. In the Durweston appraisal some local people described their life-style as "paradise" or "pure heaven" while others, presumably the restless young, dismissed it as "extremely boring" or "stagnant."

[1]. *Housing in Rural Areas: Village Housing and New Villages, a discussion paper, Department of the Environment, July 1988*

[2]. *The Future for Rural Communities, Association of District Councils, 9 Buckingham Gate, London SW1E 6LE, £5*

[3]. *Who Can Afford to Live in the Countryside? £3.50, ACRE, Stable Yard, Fairford Park, Fairford, Glos*

Third World Debt

How to escape from the impasse

By Gustav Ranis

Managemant of the "debt crisis," which broke upon the wurld in August 1982, has reached an impasse. The creditor developed countries prefer to persevere with the country-by-country approach of structural adjustment packages orchestrated hy tha International Monetary Fund or World Bank. Meanwhile, the indebted developing countries want global solutions, by which is meant either general debt relief or a new international debt facility.

Proponents of the case-by-case approach take comfort from the recent performance of Mexico, which has swallowed a painful dose of adjustment and seems to be turning the corner – as well as from the opposite experience of Brazil, which has pulled back from its exposed position as the first major debtor to refuse to make interest payments.

Proponents of the global approach emphasise that many debtor countries – including Peru, Bolivia, Ecuador, and Nicaragua – are already technically in default. Furthermore, private creditors are offering an expanding menn of deht relief options, inclnding shaving margins over Lihor, debt-for-equity swaps, 20-year zero-coupon hond purchases, and interest capitalisation, while official creditors are coming ever closer to forgiving Africa's public sector debt altogether.

It is little wonder that Congressman David Obey's House Appropriations Sub-Committee recently refused to include a mere $70m (£42m) US contribution to a World Bank capital enlargement unless the Administration comes forward with a more comprehensive plan to deal with the debt problem.

It is not that nothing has been accomplished since 1982. Surprising flexibility has been shown hy all the relevant actors, both on the creditor and the debtor side, including even the more vulnerahle strata of the populations of the developing countries. None the less, all efforts to find additional resources, both public and private, and to convince debtors that yet one more dose of austerity is required, have merely bought time, without any clear notion about how that time should be used.

The Baker Plan of 1985 is a case in point. Beyond its emphasis on a continuation of the case-by-case approach and its (quite unrealistic) call for substantial additional lending hy the commercial banks, it proposed nothing new, except for vague references to a larger role for the World Bank relative to the IMF. It gave no recognition to the spread of "adjustment fatigue," and assumed implicitly that industrial country growth would refloat even the most battered developing country ships.

More and more people wonder how much longer debtor governments can exact sacrifices from their people for so uncertain a return. This very uncertainty is why commercial banks are unwilling to make the additional loans that Mr Baker proposed and why the people of the developing countries have become increasingly restive.

In seeking solntions, one must remember that most indebted countries had a development problem long before they had a debt problem. While details differ from country to country, resolntion of these underlying development problems usually require long-term organisational and institutional changes, quite apart from changes in economic policy. The total reaches far beyond the customary adjustment packages of the case-by-case approach in both scope and duration.

Meanwhile, the sharp divergences in development performance since the 1950s bring home the danger of half-baked global solutions. Across-the-board deht relief may do no more than reward the profligate. The ready availability of Opec surpluses in the 1970s confirmed too many developing countries in the appropriateness of the inefficient growth paths they had chosen, so aborting many a movement towards reform. Ill-considered debt relief could have much the same result today.

Resolution of the development problem mnst be assessed country-by-country, as conventional wisdom assumes. But the capacity to achieve something significant in each individual case requires a change in global arrangements as well. There must be more resources for a longer period as a carrot for far more comprehensive reform than anything now contemplated.

Successful structural adjustmant requires not a two-to-three year, but a 5-10 year perspective. In addition, the provision of additional resources without full understanding and political acceptance of what needs to be done is likely to have the opposite effect to what is intended: the pressure for reform may be reduced. When the chips are down, the creditors' need to lend usually turns out to be more powerful than the need to ensure the quality of the process.

In short, the hest in the global and country-by-country approaches must be combined. What is needed is a global capacity to support long term, ambitions structural adjustment programmes. In countries whose governments are willing to accept such an approach, teams would be established to develop medium term programmes. These would focus on both the required policy changes and the additional foreign exchange needs of the country, over not less than a 5-10-year period.

Tha process mnst ha endorsed in advance by both the international financial community and the governments concerned. All must agree that the technical assessment is the point of departure. One or two real sncceses would demonstrate the effectiveness of the new approach against that of current practice.

What is needed now is something more ambitious, bnt not more permissive, than the present approach. Muddling through is not a long term alternative, for its inevitahle culmination will be large-scale friendly, or not so friendly, defaults.

The author is the Frank Altschul Professor of International Economics at Yale.

LETTERS

Law according to Augustine

From Mr Leo Herzel.

Sir, Is the point of Michael Dixon's article ("Legal eagles and other hirds of ill omen," August 17), examining statistical links between national productivity and the percentage of lawyers in a population, to pull lawyers' tails – or is something more interesting intended?

His statistical authority is Mr Norman Augustine, chairman of the Martin Marietta Corporation. The independent existence of Martin Marietta is a lawyer's creation. Without "the double-pac man defence" (an attempted takeover defended by a bid by the target company against the bidder) and the legions of lawyers and judges it took to accomplish it, there would be no independent Martin Marietta today.

If the implication is that this kind of lawyers' activity is without economic value or – worse – wasteful, that is an interesting point and I am sure we would all like to hear more.

On the other hand, the association between lawyers and economic decline may be a random one; or both economic decline and the number of lawyers may be associated with some other variable.

In short, do Messrs Augustine and Dixon know something, or are the statistics just for laughs

Leo Herzel,
Mayer, Brown & Platt,
190 South La Salle Street,
Chicago,
Illinois,
USA

No ill wind

From Mr Peter Verstage.

Sir, You report (August 13) that British Gas was obliged to write to all 2.7m of its shareholders to inform them of a new nomination to its board.

May I, on behalf of the envelope industry, suggest that all public companies adopt similar clauses in their articles of association?

Peter Verstage,
Mekoale Limited, Envelope Brokers,
Orange Mills,
Weir Road, SW12

Landlocked

From Mr J.B. Hirst.

Sir, "It has long been obvious that fewer people are needed to produce Europe's food. Now it is also clear that far less land needs to be farmed" (FT leader, July 26).

In such circumstances, is it in the national interest for there to be an artificially created shortage of building land?

J.B. Hirst,
2 Holly Park,
Baby,
near Leeds, Yorkshire

Unprepared for 1992

From Professor Peter Moore.

Sir, Mr Peter Kreamer complains that the royal baby was weighed in pounds and ounces (Letters, August 16).

Your stock market report quotes Treasury 11½ per cent stock standing at 102 27/32. Let us at least master decimals, Sir, before we attempt metrication.

Peter G. Moore,
Principal,
London Business School,
Sussex Place,
Regent's Park NW1

Batsmen battle on

From Mr J.T. Jennings.

Sir, To redress the balance between fast bowlers and batsmen, Mr F. Holmes suggests lengthening cricket pitches to 25 yards and designating the bowler's half a "no ball" area (Letters, August 16).

An alternative solution, and perhaps a cure for some dangerous current practices, is to label as "wides" all balls that pass over the wicket above head height.

J.T. Jennings,
37 Albert Embankment, SE1

Critical paths in conventional defence

From Mr Grahame Leman.

Sir, Professor Neild (Letters, August 19) has unfortunately missed the main point (Letters, August 10). Weapons as such cannot be either inherently defensive or inherently offensive in character.

If each side is equipped with the same weapons – whether tanks or pikes – those weapons can be used indifferently either to attack or to defend, if neither side has any tanks, a man with a rifle is as dangerous as a man in a tank would be. (Some years ago the Tanzanian army, a light infantry force which had to walk everywhere, successfully invaded Uganda and installed a new regime more to Julius Nyerere's taste.)

It might be a bit difficult for us and the Russians each to persuade our own soldiers and defence industries of anything as ambitious as Professor Neild's "no tanks" option. For instance, for the foreseeable future the Russians will continue to administer a huge land empire. They may well think that they cannot do without tanks and armoured infantry, even for internal security purposes only; and our generals would no doubt advise us that we needed them too, to keep the balance.

A less ambitious attempt to limit the threat of war posed by these forces (perhaps by agreeing to limit their logistic capability, under verification) could be quicker and easier to agree. All we need in the short term is some stabilising measure just powerful enough, first, to relieve us of the threat of early decisive results; second, to turn the trends in conventional forces from a vicious into a virtuous spiral.

Grahame Leman,
11 Shakespeare Road, W3

'A company has at least four stakeholder groups'

From Mr Andrew Campbell.

Sir, Martin Taylor argues that "central management's job is to add value for the shareholders". His implication (Letters, August 1) is that value to shareholders should be the prime objective for all companies.

Is a company in business to create wealth for its shareholders, to provide employment for its managers and staff, or to produce outstanding products for its customers? Wealth creation as the prime objective is not the answer you would receive from any Japanese or European company – nor from Sainsbury's, nor Marks and Spencer, two of Britain's most successful companies.

The reason is that a company has at least four stakeholder groups whose loyalty it must retain if it is to prosper: shareholders, employees, customers and suppliers. Each of these groups can help the company succeed by commitment and support – or contribute to the company's failure by lethargy and indifference.

For many managers this creates a problem of priorities. When there is a conflict between employees and shareholders, for example, which group should management favour?

It seems possible to give priority to any one of the four stakeholder groups and still have a viable organisation. Hanson favours shareholders. Sainsbury's, on the other hand, quite explicitly places shareholders last in the ranking of its stakeholders. (Its fifth and final objective is "to generate sufficient profit to finance continual improvement and growth while providing our shareholders with an excellent return on their investment".)

Success comes from adding value to – and therefore retaining – the loyalty of all the stakeholders.

Andrew Campbell,
Ashridge Strategic Management Centre,
1 Kingsway, WC2

FINANCIAL TIMES
Wednesday August 24 1988

City demand strips Treasury assets

Ralph Atkins reports on the defection of British economists to the private sector

HUMBLE British Treasury economists, serving Her Majesty Queen Elizabeth in once-grand offices overlooking Whitehall, London, might be forgiven for thinking the grass is greener on the other side.

Across town, in City of London dealing rooms, the economist lives in a world of high-tech and high cheques. There are perks galore: bonuses, expense accounts, cheap mortgages and the chance of glory on television news.

If there is a simple explanation for this wide City/Treasury divide it can be set out, ironically, in terms of demand and supply curves – the basic tools of the professional economist.

On the wrong side is the Government Economic Service (GES). Competition for a limited supply of good economists led to a doubling in the resignation rate among Treasury economic advisers last year – to nearly 20 per cent.

For the whole GES – which boasts almost 400 staff including 70 in the Treasury – the resignation rate in 1987 was about 10 per cent. Among graduate entrants to the GES there were fewer applications to be economic assistants in 1987 than in any other year this decade.

The divide was highlighted in June. An article in FDA News, the journal of the First Division Association of top civil servants, complained of low morale and high wastage rates.

"Economists feel that their position is being undermined, but are unclear whether it is due to incompetence, poor management or deliberate policy. In such a setting, even conspiracy theorists receive a hearing," wrote Mr Dan Corry, the aggrieved Treasury economist.

The depressing picture begs the question of the quality of economic advice the Government is now receiving. Work is being delayed while the reliability of Treasury economic forecasts is being challenged by City analysts.

The Treasury says falling graduate applications have not hindered recruitment at this level. The problem seems to be more in retaining the older, more experienced, economic advisers. "If your colleagues are moving off quite often, then you wonder why you are hanging about," said one insider.

Mr Nigel Lawson, Chancellor of the Exchequer, has derided City economists as "teenage scribblers". It would be embarrassing if the age profile of his own team tumbled too far.

On the other side of the demand curve are economists working for big financial institutions. Salaries at the top are rumoured to approach £250,000 ($417,500) even before perks. A competent ex-Treasury 24-year-old could expect to start on £20,000 a year with bonuses and mortgage subsidy.

In contrast, the starting salary for a graduate under 26 years old in the GES based in London will be £10,150 from October.

Economic Advisers, who must have at least five years experience, will have salaries ranging between about £18,500 and £23,500. Additional performance points introduced from October could take the most able, after a period of years, to a maximum of a little above £27,500.

Top City economists are becoming harder to find – and can almost afford to dictate their own terms and conditions. "If someone is looking for an economist and they need a good one, then they will outbid the market to get him," says Mr Andrew Stewart, senior consultant at BBM Associates, the head-hunting consultancy.

Among the cast-list of leading players at well-known securities houses, there are enough former Treasury economists to form a decent-size dining club.

The membership list would include Mr Steven Bell, 35, and Ms Evelyn Brodie, 30, chief economist and senior UK economist respectively, at Morgan Grenfell. Mr Stephen Hannah, 35, UK economist at County NatWest is ex-Treasury. So too is Mr Simon Briscoe, 29, senior financial economist at Greenwell Montagu.

At Phillips & Drew, Mr Mark Brown, senior US economist and Mr Chris Johns, senior currency economist, would be eligible for membership. And at Chase Manhattan Securities, Mr Neil MacKinnon, 33, senior economist, gleefully describes himself as a "former teenage scribbler to the Chancellor".

Although the private sector economists appear to be the clear winners, there is a twist to the demand and supply curves.

High salaries among City economists reflect fierce competition among a small band of perhaps no more than 200. And there are fears of a possible shake-out in the face of thin turnover in equities and gilt-edged securities compared with the halcyon days before the October stock market crash.

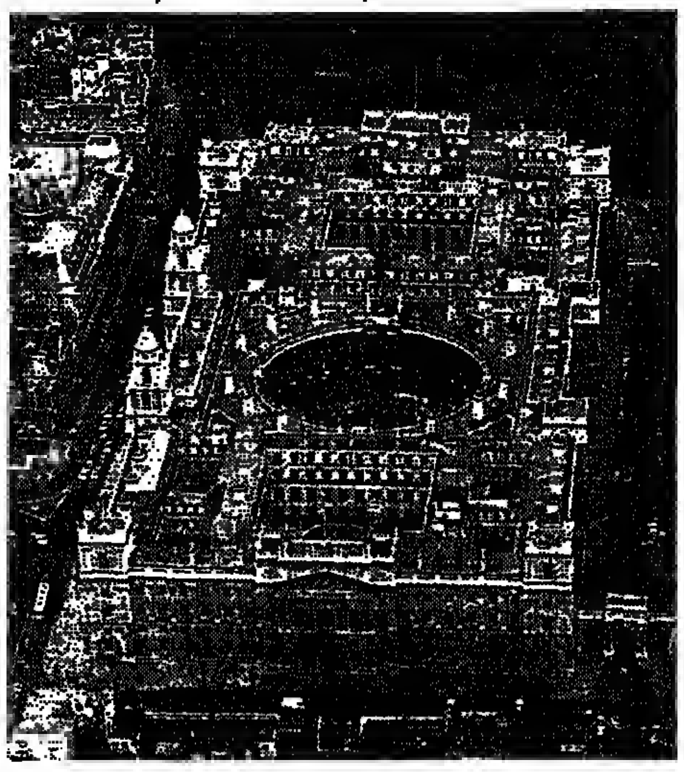
Pressure is intense. Dealers and traders aim to be one step ahead of the market but the economist has to be at least three. Dealers need to know what tomorrow's economic figures will mean for markets; economists have to forecast what next month's statistics will be.

A high profile is essential. Business depends on the quality of information and the client list will be longer if a securities house can boast an economist with "guru" status.

Economists' role in promoting the firm provides some protection. They are regarded almost as a fixed overhead for a market-making operation.

Market forces, however, may find their own solution to the Treasury's problem. It is harder work making a living when the FT-SE 100 share index is no longer climbing ever upwards. Salaries may be trimmed, staff levels cut back and the pressure intensified still further.

Then the path from the Treasury may not seem so attractive.

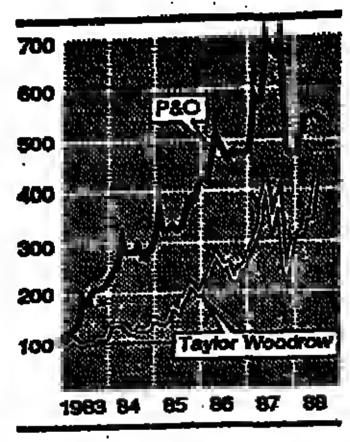


Left, the British Treasury: losing its economists to City of London institutions, and above, Mr Nigel Lawson, Chancellor of the Exchequer, who has derided City economists as "teenage scribblers".

THE LEX COLUMN

Hongkong Bank pays a high exit price

Stale, backward-looking GDP figures so seldom move the market that it was odd to see yesterday's numbers going down so badly. Not only were they well trailed by last week's record industrial production statistics, but they say nothing about what base rates of 11 per cent are doing for demand now. If everybody is this jumpy about higher rates, tomorrow's trade figures could have a rough landing.



Hongkong Bank

There was a time when the shares of the Hongkong and Shanghai Banking Corporation were a blue-chip holding which could be safely tucked away and forgotten. However, over the last decade the shares have underperformed the FT-All Share by some 70 per cent and although it is still considered by many as a proxy for the Hong Kong stock market, Hongkong Bank shares are trading on a prospective multiple of 7¼ and yield well over 6 per cent – a discount of close to a third to the local market.

Its dismal rating is partly its own fault. Yesterday's interim figures – showing a 18.6 per cent rise in attributable profits to HK$1.67bn – give little clue as to how its various businesses, both inside and outside Hong Kong, are doing. As always, shareholders have to trust that the management are continuing to do a good job because they have little means of telling otherwise. However, Hongkong Bank's reluctance to disclose more detail about its performance is not the main reason why its shares are so lowly rated. Its main problem is that in its efforts to diversify it has fallen between two stools. It is neither a highly rated Far Eastern financial institution nor a lowly rated multinational bank, and shareholders may have to continue paying the price for some time for management's eagerness to reduce the dependence on Hong Kong.

Taylor Woodrow

It cannot be pure coincidence that Taylor Woodrow should unveil a magnificent set of interim figures, a top management reshuffle and an increase in the share stake of the founder and his wife, only a month after P&O bought a stake in the company. While it would be unfair to suggest that Taylor Woodrow is sacrificing its traditional conservative stance to bolster its short-term performance, P&O's arrival on the share register has shocked the company into doing something about its lowly stock market rating, and it is not before time.

The company has a well-deserved reputation at the quality end of the sector and 27 years of unbroken profits growth in a highly cyclical industry should not be underestimated. Nevertheless, it has probably been slow to unlock the potential of its property base – accounting for two thirds of its assets – and this has undoubtedly attracted P&O. Yesterday's 60 per cent rise in profits was struck without any significant increase in property profits, but this will change in the second half, and the group should make over £100m for the year. Helped by a more sensible approach to financial gearing, TW is intent on making its net assets of close to £5 per share sweat a little harder. However, the one third rise in the share price over the past month indicates that the stock market has finally woken up to TW's potential, and the company cannot expect to rest on one year's sparkling results.

Oil prices

The reason for Shell's notable absence on the list of big oil companies buying up the UK oil independents is now clear. It is not that such takeovers would clash with its corporate style, but simply that on the view of oil prices expounded yesterday the bid sums do not begin to add up. Shell's dismal picture of $10 to $20 nominal oil prices for years ahead makes a disturbing contrast both with the bullish views of the US oil majors, and also with the market's tacit belief that prices will rise in the medium term, albeit gradually.

Even if everybody has once again got the oil market badly wrong – and Shell's assumptions of flat demand and plentiful supply are only too plausible – investors need not fear unduly. The prices of BP and Shell are more sensitive to oil prices in the next year or two, and in any case are supported by dividends. While the shares of the independents could come down with a sharp bump, the mechanism would be a change in the attitude of the bidders, not a loss of heart by investors.

Meanwhile, Shell's prognosis must have been most unwelcome to its Norwegian hosts yesterday, given that the Government had just announced a NKR5bn donation of taxpayers' money to Statoil, which at present oil prices seems unable to cover its costs.

Pleasurama

Pleasurama made sure not to frustrate the market's expectations either one way or the other with yesterday's interim results. It would have been surprising if it had done otherwise: to have produced below-par numbers would have supported Mecca's case about the shortcomings of the Pleasurama management; while truly wonderful results would only have meant less dilution for Mecca in any eventual acquisition.

Mecca found them wanting even so, though there is little surprising in that either. The bidder chose to highlight the fact that first half earnings per share were only 10 per cent ahead of the two year earlier period, arguing that it is misleading to compare tha first half of this year with the abnormally depressed first six months of 1987. But if that comparison involves a distortion in favour of Pleasurama, comparing 1988 with 1986 misrepresents things in the opposite direction: true, London casinos were in unusually bad shape in first half 1987, but they were in no less unusually good shape in first half 1986. And in any case, Pleasurama is a substantially different company now than two years ago, when its dependence on the volatile casinos was far greater.

The Pleasurama share price comfortably ignored yesterday's badinage between the two interested parties, in the confident expectation that the real news will come today with the Mecca offer document. Chances are it will not be the last such document from Mecca.

Upbeat A$5.5bn budget

By Chris Sherwell in Sydney

MR PAUL KEATING, Australia's federal Treasurer, yesterday announced an upbeat budget promising continued strong economic growth, increased investment, lower unemployment and reduced inflation.

The package included a record budget surplus of A$5.47bn ($4.44bn) for the year to June 1989, a further reduction in the current account deficit to A$9.5bn and evidence that the country's external debt was stabilising as a percentage of gross domestic product.

As such, it appeared to confirm Australia's transition from the gloom of 1986, when Mr Keating said it was in danger of becoming a "banana republic", to a boom which leaves the Labor Government well positioned to fight the next election, due in 1990.

In line with this, he promised income tax cuts to take effect from next July provided a wage-tax trade-off could be negotiated with the union movement. The size of the cuts would depend on what happened to wages in the interim.

The projected budget surplus is equivalent to 1.7 per cent of gross domestic product, and means that some A$6bn of domestic and foreign debt will be retired and the net public sector borrowing requirement will come down to zero.

GDP growth in real terms is forecast at 3.5 per cent, all of it coming from domestic demand. A surge in business investment is foreshadowed, and unemployment is expected to fall to 7.25 per cent.

The current account deficit is forecast to fall to 3 per cent of GDP from 6 per cent three years ago. But Mr Keating said that, "while the balance of payments deficit is Australia's number one economic problem, inflation remains Australia's number one economic disease."

He predicted that the inflation rate would fall to 4.5 per cent by next June, helped by indirect tax changes, and said that this could fall further under the scheme linking wage increases and tax cuts.

In his speech to parliament, Mr Keating said the nation was emerging from its most severe economic crisis in a generation, and that the economy was being systematically restructured to make it better able to compete internationally.

Details, Page 3

GM seeks European leadership

Continued from Page 1

Antwerp assembly works into one plant capable of producing 352,000 cars a year. This week it is introducing a new manning system with three crews working a pattern of two 10-hour shifts a day, six days a week (with a single shift on Saturdays), giving a plant utilisation of 110 hours a week compared with 75-78 hours under conventional labour agreements.

GM claims the Antwerp plant will be the most productive in the European motor industry. "This is the non plus ultra," said Mr Hans Gensert, GM Europe's executive director for manufacturing, "there is no one (in Europe) that can beat Antwerp with this kind of agreement."

Production of the new Vectra/Cavalier begins this week. It will be introduced at the Paris motor show next month, and will be launched in all European markets during the antumn, starting in West Germany and the UK in mid-October.

GM Europe is planning to produce about 350,000 units in 1989, the first full year of production, compared with an output of 235,600 units of the existing Ascona/Cavalier last year.

"With this new model we will make a strong drive for market (segment) leadership," said Mr Thomas Mason, GM Europe's vice-president for sales.

The increasingly competitive mid-range segment accounted for 2.7m cars or 22 per cent of the total West European car market last year. GM is aiming to restore its share of the segment to more than 13 per cent from the 9.2 per cent held last year by the ageing Ascona/Cavalier.

"It is a profitable market where all manufacturers are concerned about doing well," said Mr Mason.

GM's existing so-called J-car, badged as the Opel Ascona in continental Europe and the Vauxhall Cavalier in the UK, was Europe's best-selling car in the intermediate segment for three years in the mid-1980s and was the major factor behind the transformation of the fortunes of Vauxhall, GM's UK subsidiary, which almost doubled its share of the British car market from just over 8 per cent at the beginning of the 1980s to a peak of 16.6 per cent in 1985.

The sector is currently dominated in West Europe by the Ford Sierra, which captured a 13.5 per cent share last year, followed by the Renault 21 with 12 per cent and the Citroen BX with 10.1 per cent.

The launch of the new Vectra/Cavalier will further intensify the pressure on Ford, the market segment leader, whose Sierra replacement is thought to be at least two years away and which is already facing added competition this year in the shape of the Peugeot 405, launched in the UK in January, and the new Volkswagen Passat, launched in the spring.

Moscow's neighbours grow restless for change

Continued from Page 1

adopt, such reforms as Mr Gorbachev is implementing in the Soviet Union, the pressure for change is coming from outside the ruling Communist parties, with the sole exception of Hungary.

But what must concern the leaderships most of all is that this pressure is taking the form of specific national interests.

Such national interests were never articulated in the past. Differences within and among the allies of the Communist camp were discouraged. Disputes between neighbours were simply not allowed. But this is changing. The advent of Mr Gorbachev has meant that the allies can criticise each other more openly. The problem for Mr Gorbachev and Eastern Europe's leaders, however, is that the criticism is taking on a specific form of political nationalism which moves outside the Communist parties. Poland and Hungary are striking examples of this trend.

While some Solidarity activists believe that Mr Gorbachev promises a degree of hope, the bulk of Polish society sees the world largely through anti-Communist eyes.

During the 1970s, Poland could boast one of the most liberal systems in the bloc while, at the same time, the regime of Mr Edward Gierek engendared outward national feelings to bolster the popularity of the Polish Communist party. For example, the historic Royal Palace in Warsaw, one of the seats of the Polish kings, was rebuilt as an expression of national identity, and the Polish eagle was once again hung in offices.

Yet such nationalist expressions and rituals remained devoid of political content and could provide no lasting substitute for independent political participation by ordinary Poles. The upshot is that today most people continue to refuse to support a regime which is not of their choice.

However sincere Gen Jaruzelski is about pushing through economic reforms, workers reckon that they, and not the party, will have to pay the cost of such reforms in terms of higher prices, an appalling infrastructure, a deteriorating environment and little chance of owning a car or a flat for at least 15 years.

Indeed, the growing feeling – if it is not already too late to begin overhauling the economy radically and rebuilding the infrastructure – is that only by allowing genuine independent political institutions can the country's leaders gain some support for their reforms.

The situation in Hungary is just as complex. The Government there has gone furthest with a form of "socialist pluralism," but at the same time it is allowing "national interests" to gain greater ground. One reason is that the economy is so bad that nationalism serves as a useful but potentially dangerous way of deflecting discontent from economic ills.

Last weekend clearly demonstrated these sentiments. The Government for the first time commemorated the 950th anniversary of the death of Hungary's first King, St Stephen. He, and particularly the Crown of St Stephen which was finally returned to Hungary in 1978, is hugely symbolic for the present leadership since possession of the Crown confers legitimacy.

The anniversary thus stressed the continuity and legitimacy of the Hungarian state and implicitly of the present Communist leadership.

But it is not only history which the authorities regard as an increasingly important tool for establishing a sense of national identity and diverting attention away from economic hardship. In recent months, growing numbers of Hungarians have protested openly against the planned destruction of ethnic Hungarian villages in Romania.

According to Hungarian experts, the dam will do irreparable damage, not only to the environment but to the natural underground water filtering system. For the moment, the Czechoslovak authorities back the project fully. But the Government, aware of the opposition and the mounting criticism, could well be forced to pull out of the scheme.

If it did, Mr Karoly Grosz, the party leader, would become enormously popular. However, that decision would inevitably mean a victory for national interests.

Such interests have taken a different form in Czechoslovakia. The young people, many of them babies in 1968, who marched last Sunday night on the 20th anniversary of the Prague Spring, used history to stress their own sense of identity and political consciousness. Instead of calls for Mr Gorbachev, they chanted the name of Masaryk, the first President of an independent Czechoslovakia.

Since the Communist takeover of the country in 1948, history has been rewritten and distorted many times by successive leaderships. But it is history which is providing the link between the present, younger generation and the democratic traditions of a pre-war independent Czechoslovakia.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	R	25	77	Malta	S	28	81	Rhodes	R	31	88
Algiers	S	29	84	Edinburgh	C	16	61	Manchester	C	17	63	Rio de J'o	-	-	-
Amsterdam	F	16	61	Faro	S	25	77	Manila	-	-	-	Rome	F	28	77
Athens	S	32	90	Florence	C	23	73	Melbourne	C	12	54	Salzburg	C	15	59
Bahrain	S	28	100	Frankfurt	F	18	65	Mexico City	-	-	-	San Francisco	F	13	55
Bangkok	-	-	-	Funchal	S	27	61	Miami	F	27	81	Seoul	F	27	81
Barcelona	F	24	75	Geneva	S	23	68	Milan	S	23	73	Singapore	-	-	-
Beirut	-	-	-	Gibraltar	F	27	81	Montreal	S	13	55	Stockholm	C	18	64
Belfast	C	14	57	Glasgow	C	16	61	Moscow	C	27	81	Strasbourg	F	20	68
Belgrade	F	19	66	Guernsey	C	16	61	Munich	F	17	63	Sydney	R	11	64
Berlin	F	17	63	Helsinki	R	16	61	Nairobi	C	20	68	Taipei	-	-	-
Biarritz	S	21	16	H. Kong	C	30	86	Naples	S	27	81	Tangier	S	31	88
Bombay	F	27	81	Innsbruck	C	15	59	Nassau	-	-	-	Tel Aviv	S	61	88
Bordeaux	F	21	16	Inverness	C	16	59	New Delhi	F	32	90	Tenerife	S	32	90
Brussels	C	17	63	Islamabad	-	-	-	New York	S	13	64	Tokyo	S	32	90
Budapest	R	16	59	Istanbul	-	-	-	Nice	S	25	77	Toronto	C	17	63
B. Aires	-	-	-	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	F	28	64
Cairo	S	33	91	Jersey	C	19	66	Oporto	S	22	72	Valencia	S	27	81
Cape Town	S	19	66	Jo'burg	F	18	64	Oslo	C	16	61	Venice	S	21	70
Caracas	-	-	-	Lima	-	-	-	Paris	C	18	64	Vienna	R	14	57
Casablanca	F	28	16	Lisbon	S	28	16	Peking	S	27	61	Warsaw	F	21	16
Chicago	C	21	16	London	C	19	66	Prague	F	16	61	Washington	-	-	-
Cologne	C	16	61	Los Angeles	R	18	64	Reykjavik	D	09	48	Zurich	C	16	61
Copenhagen	S	13	55	Luxembourg	F	17	63								
Corfu	S	29	84	Madrid	S	25	79								
Dallas	S	27	61	Majorca	F	22	72								
Dublin	C	16	59	Malaga	F	28	82								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Poland rejects Walesa talks

Continued from Page 1

friends outside the yard tried to get as close as possible. The three crosses monument and the nearby main gate of the shipyard, which was festooned with Solidarity banners and religious symbols, were cordoned off by the police.

Most inhabitants of Gdansk went about their daily affairs calmly but the main topic of conversation was the strike. There was no evidence of panic buying or boarding in Gdansk as had been reported from other parts of Poland

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 24 1988

INSIDE

A test for Brazil's privatisation plans

The Brazilian Government has sold seven state-owned companies since June 1987 and has plans to sell a further 18 next year. But its energetic privatisation policy will be put fully to the test today when Caraiba Metais, the copper smelter with borrowings of about $250m, is put up for sale by auction. "If we can privatise Caraiba, we can privatise almost anything," one official said. Page 18

GM polishes up its marque

General Motors of the US has powered its way to a dramatic financial recovery in Western Europe in the last two years, although losing some market share. It is looking to the launch today of the Opel Vectra/Vauxhall Cavalier, its new mid-range model, to stop that decline and seal its position alongside Europe's big six volume car makers. Page 18

Statoil makes cash appeal

Statoil, Norway's state oil company, has called for a cash injection of NKr3bn ($429m) to allow it to sustain current operations and to raise its capital ratio, which has plunged to 10 per cent due to lower oil prices and budget problems with the Mongstad refinery project. Page 17

Australian coal on tenterhooks

The beleaguered Australian coal industry is waiting anxiously for two key decisions in the next few weeks which, it hopes, will bring some sorely needed good news. The outcome of protracted negotiations on steaming-coal contracts with Japanese utilities could lead to a jump in prices after a long period of weakness, and a ruling is to be given on a difficult and costly labour dispute concerning more flexible working practices. Page 32

NEI powers its way ahead

Northern Engineering Industries of the UK is to increase its dividend for the first time in five years after announcing a 30 per cent advance in first-half pre-tax profits to £18.5m ($31m). The power stations and materials handling supplier saw its order intake increase 13 per cent to £420m but lower turnover, falling to £325.4m from £385.4m, reflected lower completions of major contracts. Page 22

Raised profile for Hüls

Despite being West Germany's fifth biggest chemicals company, with sales this year likely to be between DM8bn and DM9bn ($4.7bn), Hüls is relatively anonymous both at home and abroad. To raise its profile, the company has bought the chemicals and plastics operations of Dynamit Nobel of West Germany, has entered a joint venture with Daicell of Japan and plans various acquisitions in North America. Page 17

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (Dm)				**PARIS (Ffrs)**			
Falls				**Rises**			
Deutsche Bab.	170.5	−	5.5	SGE	34.6	+	1.6
Man St.	190	−	4.9	Telemech.	4505	+	195
Lufthansa	132	−	2.5	**Falls**			
Mannesmann	170.8	−	3.2	Sodexco	147	−	12
Kaufhof	337	−	6	Essilor	2321	−	114
Bayer	289.3	−	5.1	DMC	414	−	19
				Ingenico	392.5	−	17.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Bundy	18½	+	3⅛	Olympic	1400	+	180
Dean	42⅞	+	1⅞	Mitsubishi	1190	+	60
Hyponex	12½	+	2⅜	Sankyo Seiki	1170	+	60
Imatco	38	+	⅞	**Falls**			
Falls				Sansui Elect.	660	−	32
Panasphic	13⅞	−	1⅛	Yamaha	1140	−	50
Tootsie Roll	30¾	−	¾	Nippon Metal	471	−	29
LONDON (Pence)							
Rises				Ex Lands	36	−	11
De La Rue	491	+	15	Fisons	238	−	7
Eng.China Clay	477	+	18	Greycoat Grp.	411	−	8
Irish Dist.	335	+	9	Holmes March.	247	−	13
Mercury Asset	340	+	10	Lloyds Bk.	300	−	8
Taylor Wood.	563	+	9	Morland	648	−	15
Falls				NatWest Bk.	536	−	7
Abbey Life	315	−	4	Stand.Chart.	511	−	7
Courtaulds	336	−	5				

Collapse of the Hunt empire

Janet Bush on the legal battles which face the prominent Texan family

The Hunt family of Dallas, Texas, once among the richest and most powerful dynasties in America, has long possessed all the hallmarks of soap opera, yet its story outstrips even the most extravagant of the genre.

There was bigamy, internecine rivalries and wealth beyond the wildest dreams. There was also a potent mix of right-wing politics and more than a touch of religious eccentricity. Finally, above all, there was the fall from grace.

A Federal jury ruling in Manhattan last Saturday was the latest, and possibly most deadly, stage in the erosion of an empire.

Based on evidence collected in the US and in leading European cities, the jury found three of the most prominent Hunt brothers — sons from the first marriage of the legendary Texas oil man, Mr H.L. Hunt — had committed fraud and violated commodities and anti-trust laws.

The jury concluded that the brothers had conspired to corner the world silver market between late 1979 and early 1980 with the help of prominent businessmen close to the Saudi Arabian royal family. Also found liable on Saturday were Mr Mahmoud Fustock, brother-in-law of Saudi Arabia's crown prince, and International Metals Investment Co, a Bermuda-based company trading in silver futures, owned by Bunker and Herbert Hunt and two Arab sheikhs.

Mr Nelson Bunker Hunt, considered the richest man in the world in the 1960s with a fortune estimated at $16bn, and Mr William Herbert Hunt, his more down-home younger brother who insists on mowing his own lawn, were also found guilty of violating civil sections of the racketeering law. Mr Lamar Hunt, who was always more interested in professional sport and is the owner of the Kansas City Chiefs football team, was not charged with racketeering.

Saturday's judgment was the first time the Hunts' liability has been established for the extraordinary events in the silver market when the price of the metal rose from $9 to $50 an ounce and then fell all the way back down again in a few months.

The ruling is only the first of several major court cases which will attempt to win damages for investors who claim losses as a result of the Hunt brothers' manipulation of the market.

The award of hefty damages of more than $130m to Minpeco, a metals marketing arm of the Peruvian Government, sets a clear precedent for payouts to other investors.

Mr Herbert Deutsch of Deutsch & Frey, the New York law firm, will prosecute two major class action suits against the Hunts and their co-defendants on behalf of about 17,000 investors identified as being active in the silver market during that period.

Mr Deutsch hopes the cases, which will be based on the same evidence used in the Minpeco case, will be heard in the late autumn. These suits claim $500m in damages and widen the net. Mr Deutsch has named various brokers which, he believes, evidence will show financed the silver market conspiracy and took an active part in it. They are Merrill Lynch & Co, Prudential Bache Securities Inc, ACLI International Commodity Services Inc, Conticommodity Services Inc and Continental Grain Co.

After Saturday's ruling, Mr Deutsch believes he has a very strong case. "The Hunts can no longer chant their little mantra about not influencing the silver market. They now have to stand naked before the world as having conspired together," he said.

He charges that the brothers had endangered the financial fabric of the US as well as markets in London and Switzerland.

The sharp movements in the silver price in late 1979 and early 1980 was not just a simple question of volatility. It was of grave concern to the US authorities, not least Mr Paul Volcker, then chairman of the Federal Reserve Board. He was concerned that so much of the world's silver bullion had fallen into the hands of a single group of people, rumoured to be acting together.

Harry Hurt III, author of Texas Rich, the *definitive biography of* the Hunt family, believes the ruling in Manhattan has opened the door to other law suits which will cost the Hunts, who were estimated to have lost more than $2bn from their silver play, a great deal of money and lead to a haemorrhaging of the empire, already in considerable financial disarray.

Placid Oil and the brothers' three trust estates, which own Penrod Drilling, the family's other big energy asset, are all in bankruptcy under Chapter 11, which allows a business to restructure while protected from its creditors. These troubled companies are thought to tie up more than half of the brothers' wealth and their reorganisation involves substantial settlements.

Mr Henry Simon, the lawyer who is acting for Placid Oil and the three trusts, said they should come out of bankruptcy in September as Chapter 11 proceedings are wound up. He said the Manhattan court ruling related to the brothers personally and should not disrupt this process.

Court filings suggest the brothers are now worth a net $1bn, including trust real estate investments, which may be difficult to divest, and personal assets disclosed in judicial documents. In 1980, their net worth was about $5bn, excluding those real estate holdings and one of their principal energy companies.

Mr Hurt said: "Daddy gave the first family (H.L. Hunt's children by the first of three wives — the first two at the same time) the bulk *of his fortune* and the brothers were always determined to prove that they were not just inheritors of wealth but businessmen in their own right.

"The cosmic historical irony is that they have not only lost what they made themselves but also most of what they were given."

Mr Hurt does not much like the Hunts, bnt he still thinks they are being prosecuted for the wrong crime. He believes their vast accumulation of silver bullion was not an attempt to corner the market for profit.

Their aim was much broader and much more arrogant. After extensive interviews with the Hunt family, Mr Hurt believes their silver play was a hedge against the apocalypse which they felt was imminent. The Shah of Iran had just been deposed, the Soviet Union had invaded Afghanistan, there was hyper inflation and Jimmy Carter was perceived as a dangerously weak President of the US.

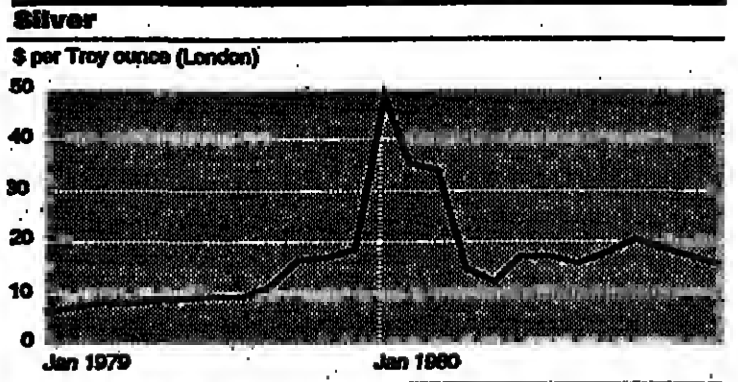
Mr Bunker Hunt, a member of the richest family in Texas if not America, along with representatives of the richest family in the world — the rulers of Saudi Arabia — aimed at no less than a return to a hard metal standard to maintain the stability of the western financial system.

"Their sin was of arrogance, beyond arrogance, for what they were actually aiming for was a realignment of the entire economic system," Mr Hurt said.

What they appear to have achieved instead is the decimation of a fortune and the humiliation of a dynasty.

The Hunt brothers: (from left) William Herbert, Lamar and Nelson Bunker leaving a Manhattan court last week

Silver



KEY DATES

November 1974: H.L. Hunt, founder of the Hunt business empire, dies, aged 85.

December 1979: Hunt family and Arab partners amass close to 200m ounces of silver, worth an estimated $6.6bn.

January 1980: silver prices hit a peak of just over $50/oz.

March 1980: prices plummet.

April 1980: Hunts say they lost up to $1bn on silver speculation.

March 1985: Hunt International Resources files for bankruptcy.

August 1986: Placid Oil files for bankruptcy.

1986-1987: various family trusts file for bankruptcy.

July 1988: Hunts agree to give creditor banks 50 per cent stake in Penrod Drilling.

August 1988: Hunts ordered to pay $130m damages to Minpeco.

Rhône-Poulenc pays £30m for ICI subsidiary

By **Peter Marsh** in London and **George Graham** in Paris

IMPERIAL Chemical Industries, Britain's biggest chemicals company, is to sell its European silicones business to Rhône-Poulenc, the state-owned French group.

The acquisition by Rhône-Poulenc, which is thought to have cost it less than £30m ($50.4m), will strengthen the French company's already strong position in the £500m-a-year West European market for silicones, which are used in products such as emulsions, greases and sealants.

ICI said it had sold the business as part of its policy of leaving commercial areas where it does not have a leading market share. ICI's sales of silicones accounts for less than 5 per cent of the European market.

Other European leaders in silicones include Dow Chemical of the US and a joint venture between General Electric and Union Carbide, also of the US.

The deal between ICI and Rhône-Poulenc will mainly involve an ICI silicone plant at Ardeer, Scotland, output from which will be transferred to the French company. The 90 ICI employees concerned with silicone production at this site will remain on the company's payroll and in their present jobs for up to two years, while Rhône-Poulenc assumes responsibility for sales.

Rhône-Poulenc will also take over ICI's current sales support operations for silicones. These activities, based in Leatherhead, Surrey, and Everberg, Belgium, employ about 25 people.

The future for the ICI employees concerned with silicone manufacture at Ardeer — a large ICI site which employs a total of about 2,000 people in various areas of industrial chemicals — will be reviewed at a later stage. At this point Rhône-Poulenc could decide to integrate the manufacturing of silicone at Ardeer with other silicone production operations in the rest of the French group.

Rhône-Poulenc has expanded rapidly in recent years in silicones, doubling output of certain product lines at its Saint Fons plant in France and bringing on stream its first North American sealants plant at Lakewood, New Jersey, last year.

Rhône-Poulenc said yesterday that the ICI division would reinforce its 1,500-strong silicone product list with specialties such as anti-foam and paper treatment silicones, besides adding to its geographic range.

Hongkong Bank lifts payout after 19% rise

By **Michael Marray** in Hong Kong

HONGKONG and Shanghai Banking Corporation, the colony's biggest bank which last year acquired 14.9 per cent of Midland Bank of the UK, yesterday pushed up its interim dividend following strong first-half profits.

After tax and transfers to inner reserves, net profits for the first half of 1988 rose to HK$1.67bn (US$214.6m), an increase of 18.6 per cent over the comparable 1987 period.

An interim dividend of 13 cents per share has been declared, compared with an adjusted 11 cents last year. The directors expect to pay at least 39 cents in total — an effective increase of 13 per cent over 1987.

The results were at the top end of stock market expectations and analysts said they underlined the solid performances being seen from the bank's various divisions around the world.

In particular, they noted the return to profitability of the Marine Midland Bank in the US, which became a wholly owned *subsidiary of the HongkongBank* in September last year.

The six-month period also saw the Midland Bank, the UK clearer, make its first significant contribution to the group.

Mr William Purves, HongkongBank chairman, said the partnership with the Midland Bank, which recently announced improved results, was already bringing benefits to both parties.

He added that the transfer of subsidiaries between the two banks would continue in the coming months, and that by the end of the year HongkongBank would have transferred, sold or closed *its operations in continental* Europe.

According to Mr Purves, the Hongkong Bank of Canada produced an encouraging first-half performance, and in the Middle East results were mixed bnt showed some improvement.

Within Hong Kong, the banking sector enjoyed steady growth in profits helped by strong loan demand. Last week, Hang Seng Bank, HongkongBank's 61 per cent owned subsidiary, reported a 17 per cent increase in profits for the first half.

Cambridge Electronic in US deal

By **Andrew Hill** in London

CAMBRIDGE Electronic Industries, which was floated off by Philips, the Dutch electricals and electronics group, in 1981, has returned to its parent to buy two US electronic component businesses for a total of about $54m in cash and shares.

The manufacturer of electronic components and printed circuit boards is also negotiating the £9m ($15.1m) cash purchase of two European component companies from an unnamed seller, thought to be Philips.

Mr John Jackson, *chairman of* the UK group and a non-executive director of Philips, said CEI no longer wished to be dependent on the UK market.

CEI is acquiring the Dialight division and the switch and panel operations of Philips' Mepco/Centralab division for a premium of about $4m over net asset value. The move should increase CEI's annual sales in the US from about $25m to $100m — just under 30 per cent of the enlarged group's annual turnover — and give CEI a sales base in the Pacific basin, where it plans to expand further.

To fund the latest acquisitions, CEI is placing 3.87m new ordinary shares, representing about 9 per cent of CEI's enlarged capital, with Philips' US arm. The balance of some $38m will be paid in cash, pushing up CEI's negligible gearing to about 50 per cent.

CEI plans to offset this by relocating some of the US companies' plant from expensive sites, reducing costs and instituting other measures to recover more than $15m.

The companies, which manufacture electronic switches, keyboards and display panels, made $3.69m before tax on sales of $79.5m in the year to December 31, but profit margins have been declining for the last five years. CEI said existing management was unlikely to be replaced.

Earlier this month, CEI announced a £4.7m agreed bid for InfraRed Associates, a US-based maker of infra-red detectors which is quoted on the Unlisted Securities Market in the UK.

Yesterday, the group also reported a 19 per cent increase in interim pre-tax profits to £6.01m in the six months to June 30.

Shares in CEI fell 14p to 246p, having risen in advance of the interim results announcement.

Kelly to resign as Beatrice chairman

By **Deborah Hargreaves** in Chicago

MR DONALD KELLY, the flamboyant chairman of Beatrice, the diversified food concern, is to resign from the company he took private in one of the largest leveraged buyouts in US corporate history two years ago.

Mr Kelly, aged 66, will remain a "substantial" investor in the company and will continue to sit on the Beatrice board after his resignation on October 1. He will hand over the reins to Mr Fred Rentschler, president and chief executive officer.

Mr Kelly's decision comes as Beatrice shifts its focus from being a holding concern to a consumer foods operating company. In a filing made to the Securities and Exchange Commission last month, Beatrice said it had terminated discussions on the sale of its leading operating companies and on finding a buyer for the whole firm.

A company official said: "Now that we've shifted to being principally an operating company . . . that is not an area of particular interest to Don he feels his role is not as crucial as it was before."

Since Mr Kelly took Beatrice private in a $6.2bn buyout — with help from Kohlberg Kravis Roberts, the New York investment firm — in 1986, he has broken up the company's food divisions and sold off more than $7bn in assets.

The company's most recent sales include its Tropicana Products division of fruit juices for $1.2bn and E-II Holdings, a mix of non-food and food specialty companies, for $800m.

Known to relish his reputation for dealmaking in the food industry, Mr Kelly is unlikely to be considering a quiet retirement. He is rumoured to be on the lookout for another smaller acquisition, but the company says it knows of no further plans of his.

Mr Kelly has been linked indirectly with Beatrice and its predecessors since the 1950s. He was heading Esmark, a company which made Swift meats, peanut butter and Playtex underwear, when Beatrice took it over in 1984. He resigned to form his own company.

A year later, he teamed up with former Esmark executives, including Mr Rentschler, to put together a bid for Beatrice, which had been crippled by the departure of many of its top managers.

Mr Rentschler will use his strong operating experience to run the rump of Beatrice food concerns, which include tomato sauce products, popcorn, turkeys and County Line, one of the country's largest cheese producers. The company says it plans no significant changes as a result of Mr Kelly's departure.

Beatrice's SEC filing said the company planned to explore and pursue various restructuring alternatives, which might call for the divestment of various other assets from time to time.

Beatrice's smaller divisions — Southern Bakeries, International Jensen, an audio equipment firm, and Rusty Jones, an auto rustproofing and soundproofing division — are likely candidates for disposal in any restructuring.

Deere maintains profits recovery

By Martin Stanbridge in New York

THE RECOVERY at Deere, the world's largest manufacturer of farm equipment which also produces construction, forestry and mining machinery, continued in its third quarter.

Yesterday the Illinois-based group reported a rise in net profits to $81m, or $1.14 per share for the three months, up from $25.5m or 38 cents in the same period last year. Sales were $193m ahead at $1.39bn.

The improvement reflects the slow emergence in the US of the farm-equipment industry from the ravages of a decade-long recession.

The group said the increase in profitability was due primarily to higher sales and production volumes, some improvement in the price of its products and greater efficiency in its worldwide operations.

The result was also substantially better because of a strike in the year-ago quarter. However, the company added that "higher prices of some raw materials are partly offsetting these improvements."

Looking to the final quarter, it said overall production was scheduled to be 9 per cent above the previous fourth quarter.

North American and overseas production of agricultural equipment would increase, while output of lawn and grounds care equipment $131.66m. Sales advanced to $3.88bn from $2.82bn.

Investors reacted favourably to the result and in early trading yesterday Deere's shares rose $1 to $42½.

Apple decentralises into four divisions

By Roderick Oram in New York

APPLE COMPUTER has decentralised its operations into four autonomous divisions so the company can better handle its rapid growth.

Mr John Sculley, who will remain chairman and chief executive, is aiming for sales of some $10bn by the early 1990s, compared with $2.67bn last year and analysts' estimates of around $4bn this year.

Decision-making was centralised under Mr Sculley when he became chief executive in 1985 on the departure of Mr Steven Jobs, one of Apple's co-founders.

That structure was considered appropriate at the time because the personal computer company was in disarray.

However, Apple's subsequent recovery and rapid growth in sales warrant a more flexible approach, the company said.

The reorganisation is similar to the one launched by International Business Machines, the industry leader, in February.

Senior management gave the heads of new divisions a great deal of autonomy by IBM standards to try to increase their responsiveness to trends in technology and markets.

The first of Apple's four new divisions is Apple Products, responsible for developing, manufacturing and marketing products.

Its president is Mr Jean-Louis Gassée, former senior vice-president for research, development and marketing.

Apple USA will handle US sales, service and support, marketing to corporate customers and the company's own internal information systems.

Its president, Mr Allan Loren, who joined the company only a year ago from CIGNA, the US insurance group, will have the key task of broadening the appeal of Apple's products to corporate customers.

Apple Education and Pacific, under Mr Delbert Yocam, former group chief executive officer, will cover sales and marketing to educational institutions and sales to all types of users in the Pacific.

Although his duties have narrowed, he retains responsibility for the education market which has been Apple's mainstay.

Apple Europe, under Mr Michael Spindler, former European senior vice-president, will take on European sales, marketing and support.

Tootsie spends $65m for Charms

By Deborah Hargreaves in Chicago

TOOTSIE Roll Industries, the Chicago-based maker of the infamous Tootsie Roll, one of the best-known sweets in the US, plans to add more bite to its chew with its planned purchase of New Jersey bubble-gum maker, Charms.

Tootsie, which has built its fortune on the Tootsie Roll, a chocolate-flavoured chewy toffee, will merge with privately owned Charms by September. Charms is best known for its Blow Pop (bubble-gum-centred sweets with a hard toffee exterior), which should appeal to three to 13-year olds — Tootsie's core customers.

Tootsie, which is set on a major expansion drive, says the deal to buy Charms, for $65m in cash, will extend its market share into bubble gum and broaden its scope for growth.

"We are a very famous company," declares Ms Ellen Gordon, Tootsie's president. "Ask any American what a Tootsie Roll is and they will smile." That is, if they're not too busy chewing.

The low-priced toffee roll designed "to appeal to the kid in all of us," racked up sales of some $114m for Tootsie last year on profits of $14.5m. The confection has not changed since it was produced in New York in 1896 by Leo Hirschfield, an Austrian immigrant, who named the roll after his daughter, Tootsie.

But Tootsie Roll has tried to hook into the adult market with its acquisition three years ago of Cella Confection, which manufactures a more sophisticated chocolate-covered cherry product.

Tootsie is still run as a "Mom and Pop" operation, with a husband and wife team in the two top slots. It is one of few confectionery companies with its own sugar refinery and also runs its own advertising agency and trucking company.

The 90-year old company has been looking around for an acquisition for some time. "We've just become very aggressive," says Ms Gordon, who does not rule out another bite at an acquisition in the future.

GM in top gear for European challenge

Kevin Done on the US car maker's plans for the new Opel Vectra/Vauxhall Cavalier

General Motors of the US, the world's largest car maker, has powered its way to a dramatic financial recovery in West Europe in the past two years.

It has sacrificed some market share in the process, however, and it is looking to the launch of its new mid-range car, the Opel Vectra/Vauxhall Cavalier which it unveils today, to arrest the decline and secure its place among the big six volume car makers in West Europe.

GM's volume sales in West Europe, under the Opel badge in continental Europe and under Vauxhall in the UK, were at a record level in the first six months of the year at 718,300, but they have still failed to keep pace with the buoyant European car markets.

Hampered by lack of capacity for some of its products, not least the small Opel Corsa/Vauxhall Nova produced in Spain, and by the ageing of its present mid-range car, the Opel Ascona/Vauxhall Cavalier launched in 1981, the Opel/Vauxhall share of the West European car market fell to 10.6 per cent last year from 10.9 per cent in 1986.

Its volume sales grew by 2.7 per cent, compared with a 6.3 per cent growth in the market.

In the first six months of this year it again lost some ground in terms of volume to the European market leaders, particularly Fiat of Italy and Peugeot of France, but also to West Germany's Volkswagen.

The new Vectra/Cavalier is particularly crucial to Vauxhall's fortunes in the UK. The UK, with 100,000 units, and West Germany, with 65,000 units, last year accounted for 70 per cent of GM's total European sales of the existing mid-range Cavalier/Ascona.

Especially in those markets, the new Vectra/Cavalier has a big hole to fill as it replaces a model which was Europe's best-selling mid-range car in 1982, 1984 and 1985.

As the Ascona/Cavalier has aged, its European sales have gradually fallen from a peak of 357,722 units in 1983 and 355,220 in 1986 to 238,500 last year.

It was the Cavalier's high level of acceptance in the UK fleet market which paved the way for it to take over from the Ford Cortina and the initially poorly received Ford Sierra as the best-selling mid-range car in the UK.

In 1984 and 1985 it captured more than 28 per cent of its segment in the UK market, selling more than 130,000 each year, and was only beaten into second place overall by the smaller Ford Escort.

Vauxhall is facing a much tougher market in this segment than at the beginning of the decade, when there was a paucity of new products. It is still aiming to regain close to a quarter of that segment, however, with sales of 130,000 forecast for 1989 in a segment expected to total around 550,000 in the UK.

The conspicuous success of the present Cavalier, which helped to take Vauxhall's overall share of the UK market to more than 16 per cent in 1984 and 1985 from only 8.2 per cent in 1980, has persuaded GM to keep the Cavalier name for the new range in the UK, while in the rest of Europe it has opted to change to Vectra from the present Ascona badge.

The new Cavalier/Vectra is being launched by GM in both saloon and hatchback versions with a choice of petrol engines from 1.4 litres to 1.6, 1.8 and 2.0 litres as well as a top of the line high performance model, the Vectra 2000/Cavalier GSi 2000 with a 16-valve DOHC engine, and the possibility of four-wheel drive. The four-wheel-drive system has been developed in co-operation with Steyr-Daimler-Puch.

There will also be a 1.7 litre diesel engine version.

GM aims to meet almost all its UK demand for the new Vectra/Cavalier from its Luton assembly plant, where two years ago it installed a £90m ($151.2m) paintshop and has spent a further £30m on plant and equipment.

Mr Louis Hughes, GM Europe's vice-president for finance, says Luton is the lowest cost location of the three assembly plants — Luton in the UK, Antwerp in Belgium and Russelsheim in West Germany — where the new Vectra/Cavalier will be produced, due to its lower labour costs.

In the past two years GM has managed to achieve a massive financial recovery in West Europe achieving net profits last year of $1.25bn after seven years of accumulated losses of $1.25bn and a tiny net profit in only one year, 1982.

As part of the transformation, Vauxhall last year turned in a net profit of £1m, after a net loss of £61.7m in 1986. It was the first profit since 1978, and only the fourth time the company had avoided loss in the past 20 years.

Mr Hughes says the company is on its way this year to equalling last year's record profits, and is clearly hoping that the Vectra/Cavalier launch will sustain the financial recovery.

It is being launched into a fiercely competitive market, however, and there have already been warnings that its arrival in the European market place, and particularly in the UK market, could lead to a renewed bout of "disorderly marketing" as producers use incentives and discounting to hold on to market share. Ford, for one, will not easily surrender the segment market leadership, which its Sierra has won in Europe.

WEST EUROPEAN CAR MARKET SHARES

	Sales Jan-Jun '88	Share (%)	Sales Jan-Jun '87	Share (%)	Unit increase/ decrease (%)
Total market	6,543,000	100.0	6,410,000	100.0	+5.1
Fiat	1,057,000	15.5	987,000	15.2	+8.0
Volkswagen†	960,000	14.6	950,000	14.9	+2.8
Peugeot*	835,000	12.7	752,000	11.8	+10.5
Ford	777,000	11.4	771,000	11.8	+0.8
GM (Opel/Vauxhall)	718,000	10.5	705,000	10.8	+2.4
Renault	688,000	10.1	674,000	10.4	+2.1

† Includes Audi and Seat. * Includes Citroen. Source: Industry estimates.

Management to buy Lear Siegler unit for $500m

By Our New York Staff

THE MANAGEMENT of Lear Siegler Seating, the Michigan-based car and lorry seat making subsidiary of Lear Siegler Holdings, the US conglomerate, is to buy out the offshoot for $500m.

The announcement was made jointly with Forstmann Little, the leveraged buyout specialist which put the deal together, and Kidder Peabody, the investment banking group which is joining the management team and financing the deal.

Mr Kenneth Way, Lear Siegler Seating vice-president, who will be the new company's chairman, said the deal would provide capital to invest in new plants and develop new products.

"Acquisitions that complement the company's existing . . . business will also be part of our long-term strategic plan," he added.

Lear Siegler Holdings went private in a $2.1bn leveraged buyout which was put together by Forstmann Little early last year.

Kidder said it had committed debt and equity financing to the unit's management group while Manufacturers Hanover, the big US banking group, had committed to provide senior loan facilities.

CIGNA sells arm for $500m

By Our New York Staff

CIGNA, a leading shareholder-owned US insurer, has sold its Horace Mann insurance division for $500m cash to complete the refocusing of its efforts on corporate rather than individual policy holders.

The purchaser of the Illinois-based subsidiary is a new company formed by Gibbons, Green, van Amerongen, a New York management buyout specialist. Shareholders in the new venture include Mr Paul Kardos, Mann's president, and other senior executives.

CIGNA put Horace Mann and its Individual Insurance Products division on the block last August as part of a strategic switch to corporate customers. It has retained, however, a small property-casualty business for individual clients within its Connecticut General operations.

InterContinental Life, a New Jersey-based insurer, earlier agreed in principle to buy the latter operation for $140m. The sale of Horace Mann, however, has proceeded more slowly, partly because the insurance industry had a large number of operations for sale at the time of last October's stock market crash. The volume and value of insurance takeovers has since recovered.

CIGNA "seems to have got a fair price of about one-and-a-half times book value" for Horace Mann, said Ms June Hoffer, an analyst with Prudential-Bache in New York.

Horace Mann, founded in 1945 and named after a US public education pioneer, sells personal life, car and home-owners' insurance to individuals and groups, particularly those involved in education. It has assets of about $2bn, revenues last year of $720m and had a book value of $340m on June 30.

Gibbons, Green, which made an abortive attempt at a management buyout last year at Argonaut, a West Coast insurer, has completed 26 buyouts in its 19 years of operations. The Horace Mann deal was undertaken by its Los Angeles office.

Hüls looks for a higher profile

Peter Marsh on the aims of Germany's fifth largest chemical group

Either in West Germany or outside, the name Hüls meets with a blank stare from most peopla. Mr Horst Brinkmann, board member for Germany's fifth biggest chemicals company, says this sometimes bothers him and other managers at the group.

Mr Brinkmann and his colleagues are, however, doing their best to raise the profile of their company, if not among tha public then in the international industrial community.

Last yaar the company splashed out DM1bn ($521m) for the chemicals and plastics operations of Dynamit Nobel, another German chemicals concarn. The transaction, which involved Hüls paying DM450m in cash as well as taking over debts and other financial commitments, increased the group's tnrnover by roughly 40 per cent and added 9,000 employees to make a total payroll of 24,000.

Sales this year are likely to be between DM8bn and DM9bn. The figure is only narrowly behind the sales of Henkel, the fourth biggest German chemicals company, although it trails by a wide margin the sales of the three German chemicals giants, Hoechst, BASF and Bayer.

To put the activities of Hüls in context — and also to illustrate the strength in depth of the German chemicals business — the company's turnover is bigger than that of any British chemicals concern except Imperial Chemical Industries.

Hüls, which has benefited in the last year or so both from the strength of the German economy and the healthy demand in Europe for chemicals, is optimistic about the prospects for the rest of the year and 1989. Beyond this, however, Mr Brinkmann is more cautious. "After 1989, there could be aslowdown (in demand)," he warns.

The relative anonymity of Hüls is partly explained by its being owned by Veba, the huge West German energy and chemicals conglomerate. Veba's breadth of activities and total turnover of around DM40bn tend to obscure the operations of its subsidiaries.

Another reason is that Hüls, unlike many other chemicals companies, sells few products that would be recognisable to the average person other than those employed in the chemicals business. Most of the 1,500 different items which it makes — the list includes a huge variety of detergent intermediates, plasticisers, rubber products, solvents and surface coatings — end up as components within goods manufactured by other companies.

Besides these products, Hüls, based on a sprawling site at Marl, in the industrial heartland of the Ruhr district, is also a medium-sized manufacturer of polyvinyl chloride and polystyrene, two bulk plastics.

If Hüls is little known in Europe, this is still more the case outside the continent where, before the Dynamit Nobel acquisition, the company gained a mere 12 per cent of its sales. The position has changed slightly, with this proportion likely to increase to 15 per cent this year, against 50 per cent for the proportion of sales in Germany and 35 per cent for the rest of Europe.

The takeover has particularly helped Hüls' US operations, where Dynamit Nobel had a reasonably strong presence. Group sales in the US this year are likely to be about $450m, or donble the pre-acquisition figure.

The company, with a base in New Jersey, has 500 employees in the US. It is particularly

Horst Brinkmann: cautious about future demand

strong in that country as a supplier of special chemicals used to give plastics different colours, items used especially in the motor industry.

Mr Brinkmann says Hüls is keen to grow further in the US, and is considering various other acquisitions. This is partly, he says, because of the general need to expand overseas in order to smooth out currency fluctuations affecting its financial results and also to "pick up on the technological innovations" emanating from the US market.

Another target for expansion is Japan, where Hüls has a 50 per cent-owned joint venture with Daicell, e Japanese chemical company. The joint venture last year had sales of DM80m, mainly accounted for by specialty plastics used in engineering and other products such as isocyanates.

Among the more interesting products bronght into the group by the Dynamit Nobel purchase are a series of silicon-based chemicals. Unlike most of Hüls' products, these items are derived not from hydrocarbons but from minerals in the shape of sand. "They give us a nicely growing range of prodncts and rednce our dependence on oil," says Mr Brinkmann.

The purchase has also strengthened Hüls' position in the area of fine chemicals and has taken it for the first time into the processing of finished plastics parts.

As for the immediate future, Hüls is doing its bit to keep up the generally high levels of chemicals industry investment in Europe. Its spending of DM500m this year on capital projects is more than double the company's figure for 1986.

Hüls is constructing at Marl a DM150m plant for manufacturing acrylic acid and acrylic esters, important chemical intermediates, and is even talking abont reopening a mothballed ethylene cracker which it operates jointly with another Veba subsidiary.

The recommisioning of the cracker, which is at Gelsenkirchen, also in the Ruhr area, could add to the supplies in Europe of ethylene, which is used as a basic feedstock to make a host of chemical products. Demand for the substance in Europe has been growing steeply in the past few years.

The company stresses, however, that the decisions over reopening the plant are still some way from being taken.

Second big shake-up at Den norske

By Our Oslo Correspondent

DEN NORSKE CREDITBANK (DnC), the troubled Norwegian commercial bank, yesterday announced a radical restructuring of the bank into four main divisions.

The move comes less than a year after a big shake-up of top management following NKr1.5bn ($214m) in losses for 1987 on loans and securities.

The bank was previously organised into five divisions. DnC will now incorporate the shipping, petroleum and offshore division into the industrial corporate division under the leadership of Mr Harald Arnkvaern.

The banking division is to be led by Mr Nils Landmes, 43, the current managing director of Norwegian Contractors, a supplier to the offshore oil industry. His appointment brings with it the title of deputy managing director.

Mr Lars Uno Thulin, deputy managing director and the current head of DnC London, is to head the bank's international division from next year.

Mr Eskil Vogt, 45, former general manager of Christiania Bank, one of DnC's major competitors, is to head DnC's investment banking division.

Statoil seeks NKr3bn state cash injection

By Karen Fossli in Stavanger

THE DEPTH of the financial problems at Statoil, Norway's state oil company, was underlined this week when it called for a state cash injection of at least NKr3bn ($429m) to allow it to sustain operations on their current scale.

Statoil also wants the money to raise its equity capital ratio, which has plunged to 10 per cent. By contrast, the majority of the international oil companies operate with equity of between 50 and 60 per cent of total capital.

Mr Harald Norvik, Statoil's chief executive, said on Monday that the state oil company's level of capital ratio has plunged to 10 per cent because of oil prices, which have taken a downward turn, and budget problems with the Mongstad refinery project.

A major budget overspend of NKr6.8bn in the Mongstad project will force Statoil to make write-offs against accounts for the next two to three years. In 1987 accounts Statoil made write-offs of NKr3.3bn and was forced to omit its dividend payment to the state.

Statoil told Mr Arne Oeien, Norway's Oil and Energy Minister, in a confidential meeting on Monday, that existing state guarantees are the only means of support allowing it to finance its current operations.

Statoil has set itself a goal of maintaining a capital ratio level of 25 per cent, although since its inception in 1972, it has only managed to achieve a ratio of between 15 per cent to 16 per cent.

Two options to solve Statoil's financial crisis are soon to be discussed by the Storting (parliament). The first calls for the Government to accept a lower dividend payment.

The second calls for the conversion of a loan, by the Government to Statoil, to share capital. The amount of an initial loan under discussion is between NKr2bn and NKr3bn.

Finnish insurer plans another rights issue

By Olli Virtanen in Helsinki

SAMPO, the Finnish insurance group, plans to raise FM975m ($220m) through a one-for-two rights issne which will increase its share capital by 48 per cent to FM186m.

The issue price is FM325, which compares with the latest quote of FM520 on the Helsinki Stock Exchange. The subscription period is October 17 November 18.

The issue follows a similar rights issue in which Sampo raised FM763m in May this year. The issue was heavily oversubscribed, and this, says Mr Kalevi Pihlaja, managing director, was one of the main reasons for the second issue within six months.

Sampo changed its status from a mutual insurance company a year ago by issuing a total of 750,000 shares to all its policyholders. It was subsequently listed on the Helsinki exchange. The new shares will not be available to foreign investors dne to a proposed law that would cut maximum foreign ownership in Finnish insurance companies to 40 per cent of the equity and votes. According to the current law all shares in Finnish insurance companies are available to foreigners.

Sampo retains a unique voting structure, according to which each shareholder has only one vote irrespective of the number of shares held.

Ascom Holding pays same

By John Wicks in Zurich

ASCOM HOLDING, the Swiss telecommunications concern, is to propose unchanged dividends for 1987-88 of SFr60 per share of SFr500 nominal value and SFr12 per share and participation certificate of SFr100 nominal value — on increased equity capital.

Parent company net profits for the year, ended on June 30, were SFr26.5m ($16.5m), bnt are not comparable with those for the previous 12-month period.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Australia relaxes banking regulations

THE AUSTRALIAN Government, in a move long sought by the financial sector, has announced a dual reform to the regulations affecting the country's banks, writes Chris Sherwell in Sydney.

The changes remove the outdated distinction between trading and savings banks, and reduce the amount banks are required to place as low-interest deposits with the central bank.

Mr Paul Keating, the federal Treasurer, announced the changes in his annual budget, and said they were "sweeping away the last significant elements of unnecessary regulation in the financial arena."

He said they would enhance the efficiency of the banks, remove distortions in the allocation of financial resources to particular sectors of the economy, and exert downward pressure on interest rates.

The change to the Statutory Reserve Deposits system means trading banks will no longer have to maintain 7 per cent of their Australian dollar deposits with the Reserve Bank, where they receive only 5 per cent interest.

But once these deposits are phased out, over a three-year period, the banks will have to keep some low-interest deposits with the Reserve Bank. These will amount to 1 per cent of total liabilities excluding shareholders' funds.

Budget documents indicate that this smaller deposit on a larger base would result in an effective halving of the current impost on the banks. The Government said the banks had assured it that the benefits of the change would be reflected in their interest rates.

On the distinction between trading and savings banks, the Government's removal of this simply acknowledges that the two exist only as different sets of accounts within banking groups rather than as distinct structures.

In a statement yesterday, the Treasury sought to allay fears about any impact on housing loans by pointing out that lending for housing would continue to be very attractive for banks.

Reserve Bank revises capital rules

By Chris Sherwell in Sydney

THE RESERVE Bank of Australia, the country's central bank, yesterday issued new guidelines for the risk-based measurement of the capital adequacy of Australian banks.

The guidelines are said to be consistent in all substantial respects with those of the supervisors' group at the Bank of International Settlements in Basle.

But "special features of Australian banking" have also been taken into account.

In particular there are some changes to the proposals first put up in a Reserve Bank discussion paper in January. These prompted considerable discussion at the time, and certain objections have been incorporated into the new guidelines.

As expected the Reserve Bank, in replacing its existing requirement that banks maintain a certain ratio of capital to total assets, has stood by the minimum capital standards agreed by the Basle group.

Thus, each Australian bank will be expected to have a ratio of capital to risk-weighted assets of not less than 8 per cent, with at least 4 per cent in "core capital."

"Core capital, also known as Tier 1 capital, includes paid-up shares, general reserves, retained earnings and non-cumulative irredeemable preference shares, and is as originally defined.

But the remaining supplementary or Tier 2 capital, which includes asset revaluation reserves, convertible notes and perpetual subordinated debt, has been expanded to include redeemable preference shares and term subordinated debt. This latter category of capital, however, is not to exceed 50 per cent of core capital.

As for the weightings accorded to different assets, the Reserve Bank has retained three broad types of credit exposure – to governments, banks and all others – and five categories of risk weights – zero, 10, 20, 50 and 100 per cent.

Similarly, off-balance sheet transactions are still to be converted to balance sheet equivalents, and there are still four categories of equivalents – 100, 50, 20 and zero per cent.

However, the Reserve Bank has made certain key adjustments to its original proposals. In particular:

● Claims on governments, government entities and banks incorporated in OECD countries are to have the same weight as claims on similar domestic bodies.

● Claims on banks incorporated in Australia and on banks incorporated in OECD countries will now have a single weight of 20 per cent, whether the claims have a maturity of up to one year or beyond one year.

● The Bank says these standards can be extended on a case-by-case basis within the Asia-Pacific area as well, "consideration being given to international standing and the prudential supervisory regime of the parent country." An obvious example would be Singapore.

● Claims on borrowers other than governments or banks, which are guaranteed by a government or bank, are generally to carry the weight appropriate for the guarantor.

● The Reserve Bank has also simplified the weights allocated to claims on governments. And it has extended the 50 per cent weight for loans fully secured by mortgages on residential housing, so that it now applies to loans for rental housing as well as owner occupied housing.

Johnnies to lift payout

By Jim Jones in Johannesburg

STRONG PROFITS are reported by Johannesburg Consolidated Investment Company for the year to June and the group plans to lift its dividend from R15 a share to R17.50.

Earnings from gold, platinum and diamond investments were sharply higher, although the improvement was partially offset by greater expenditure on exploration and lower fee income from companies managed by the mining house.

Investment income was enhanced by special dividends distributed by the Randfontein Estates gold mine and Rustenburg Platinum and increased to R271.7m ($109.7m) from the previous year's R191.2m.

Overall the group's pre-tax profit rose to R359.5m from R332.8m. After reduced tax, net profits increased to R325.7m from R274.2m to leave per share earnings standing at R44, against R36 a year earlier.

Mr Vaughan Bray, a director, says the outlook for the group's mining companies is brighter than a year ago and expects group earnings this year to be at least maintained.

Ashton Mining in reverse

By Our Financial Staff

ASHTON MINING, the Australian diamond producer, reports a 42 per cent decline in net profits for the first half of 1988 with trading hit by currency factors and fluctuations in diamond shipment timings.

Equity-accounted net profit fell to A$6.9m (US$5.7m) from A$12m in the first half of 1987 on sales which declined by 5 per cent to A$40.3m.

Ashton, which is 46 per cent owned by Malaysia Mining Corporation, stressed that timing and volume differences in diamond sales made first-half earnings comparisons difficult. It said full-year net profit would be in line with 1987's A$25.3m.

As in previous reporting periods Ashton declared no dividend and paid no tax.

The company's main asset is a 38 per cent stake in the Argyle diamond mine in Western Australia.

Six-month output fell to 15.9m carats from 16.3m. Ashton's share fell to 4.4m carats from 4.9m, but during the period selling prices improved considerably.

Brazilian smelter on the auction block

By John Barham in Sao Paulo

PRIVATISATION is rapidly becoming a buzz word among Brazilian bankers. Since June 1987, the Government has sold seven state-owned companies for $257m. It plans to sell eight more by the end of the year and a further 18 companies are scheduled for sale in 1989.

The most immediate privatisation test for the Government takes place today when the state auctioneer will attempt to sell one of Brazil's whitest elephants – the copper smelter, Caraiba Metais – to the highest bidder. The auction has a reserve price of US$67m.

Caraiba was the brainchild of Mr Francisco Pignatari, an eccentric millionaire who dreamt of making Brazil self sufficient in copper. But Brazil's copper reserves are tiny by world standards and the project folded in 1974. Soon after, Caraiba moved under the state umbrella.

Now, 14 years and $1.2bn of taxpayers' money later, the Government has decided to put Caraiba back into the private sector. The company comes with borrowings of around $350m but a number of today's bidders have publicly expressed their conviction that Caraiba can be made profitable.

The task will not be easy. As one government official said recently: "Few state companies approach the folly of Caraiba. If we can privatise Caraiba, we can privatise almost anything."

Among the 26 state companies to be sold between now and the end of next year are a selection of steel mills, three railway operations, a petrochemical company, a computer company, fertiliser plants and a fuel distribution network. Many of the companies are deeply in debt and have a reputation for poor management.

Mr Sergio Zendron, a senior government official, illustrates the urgency of the privatisation programme by stressing the chronic imbalances within the Brazilian economy.

The private sector, he says, has little debt; it exports, it generates profits and is liquid. In contrast the public sector is all but insolvent, staggering under the weight of some $170bn in domestic and external debt. "Equilibrium can only be restored by a migration of functions to the private sector," says Mr Zendron.

According to bankers, the private sector should have no trouble absorbing the state disposals. Under the present schedule some $2bn looks set to change hands this year and next. This is a relatively puny amount when set alongside the $70bn or so of short-term money market instruments which the Treasury has borrowed from the private investors.

Yet businessmen are suspicious. Government claims about the attractions of state-owned companies have raised many local eyebrows. Political doubts have also been aired. Mr Eduardo da Rocha Azevedo, president of the Sao Paulo Stock Exchange, says privatisation could bestow monopoly power on a small number of powerful investors.

And some politicians are actively obstructing the privatisation programme. In Brazil, state companies have long been vital levers of political influence. Yet time and public funds are now rapidly running out.

New Zealand utility seeks NZ$2.5bn

By Our Financial Staff

ELECTRICITY Corporation of New Zealand is to raise NZ$2.5bn (US$1.6bn) over the next three years through a series of bond tenders which, when complete, will represent the biggest publicly-listed corporate bond on the Wellington stock market.

The first tender, for NZ$200m, will take place next month. Bank of New Zealand and National Bank of New Zealand will lead and underwrite the issue, which will be closely modelled on a 10 per cent, five-year government bond.

Next month's issue will be the second securitised borrowing by the state-run ECNZ this year. In May the corporation successfully launched a NZ$300m promissory note.

The Government turned ECNZ into a corporation last year, valuing its assets at NZ$6.3bn. The Government wants repayment for the assets within three years. ECNZ said earlier this year that it expected to have to raise around NZ$500m every six months over the next three years.

ECNZ, which generates nearly all New Zealand's power, expects to repay the Government NZ$1.4bn in the current fiscal year. It plans eventually to issue 10- and even 20-year paper.

Dollar issues rise after encouraging US data

By Our Euromarkets Staff

BETTER THAN expected US inflation data for July sent a modest wave of relief through the dollar bond markets, which, when combined with the effects of an apparently irrepressible dollar, boosted Treasuries and propped up prices on Eurodollar bonds.

The US Commerce Department said that the key consumer price index rose 0.4 per cent in July, slightly less than had been expected. But once food and energy prices were removed from the calculations, the rise was an even more modest 0.3 per cent, down slightly from the month before.

While the news proved mostly beneficial for long-dated dollar paper, short-term issues, which constitute the bulk of the Eurobond market were up about ¼ points.

The US inflation data aided D-Mark issues, with domestic Bunds paring the day's losses to 15 basis points at the long end from 35 basis points earlier in the day. D-Mark Eurobonds, meanwhile, ended the day slightly firmer, with gains of 10 to 20 basis points.

The failure of the Bundesbank to raise its key repurchase agreement rate, as many had expected, also helped sentiment.

But it was the strength of the dollar – which held steady in the fact of more currency sales by the Federal Reserve and European central banks – that prompted the launch of $500m worth of new paper yesterday.

The Bank of Japan remained conspicuously absent from intervention today, as it has for the past few weeks, leaving Japanese investors increasingly confident that there is little currency risk to be had in dollars.

Indeed, dealers said that Japanese enthusiasm for dollar paper has pulled spreads of issues from Japanese corporate to some of their tightest levels ever.

Two major Japanese banks tapped the market via overseas subsidiaries, raising 4-year funds on virtually identical terms.

IBJ Finance Co. NV issued a $200m 4-year issue with a coupon of 9⅜ per cent and priced at 101.45 to yield 53 basis points over Treasuries, according to lead manager IBJ International. The bonds carry the guarantee of the AAA-rated parent, Industrial Bank of Japan.

Dealers said the proceeds were swapped into floating-rate dollars. The deal is the largest outstanding issue for IBJ and will be one of the most liquid for any of the Japanese bank names. It closed inside its fees at less 1¾ per cent. Dealers said the issue appears reasonably priced and is attractive because the size guarantees liquidity. But it offers little yield pick-up over older IBJ bonds, with each of two similar maturity bonds trading at 52 and 55 basis points over Treasuries respectively.

Also, Sumitomo Bank Capital Markets, the New York-based arm of Sumitomo Bank, issued a $150m four-year deal with a 9⅜ coupon priced slightly lower at 101.35, yielding 52 basis points over Treasuries. The issue carries the guarantee of the parent company and was lead managed by Goldman Sachs.

Also in dollars was a $50m three-year issue for Canada-based Royal TrustCo. The deal, which will be fungible with a $100m issue launched earlier this year, carries a coupon of 9¾ and is priced at 100¼ to yield 50 basis points over Treasuries. The original tranche is today offering 30 basis points over Treasuries.

The proceeds of Royal Trustco's deal, led by Merrill Lynch, were said to have been swapped with those from a C$60m bond from Akzo, the Dutch chemicals group. That deal, for three years, carries a coupon of 11 per cent and is priced at 101½.

Toshiba International Finance (Netherlands) BV issued a NZ$60m three-year bond bearing a 14 per cent coupon and priced at 101⅞. Dealers, noting that two Japanese firms are co-managers along with Hambros bank, said that proceeds had been swapped into yen.

Australian dollar Eurobonds closed with modest gains of no more than ⅛ point, despite yesterday's upbeat Australian federal budget. Analysts said that bond and currency market reaction to the budget was muted because much of the good news had been widely expected.

Equity warrant bond prices slipped as much as a half-point for some issues, leaving only two of the seven most recent issues trading inside fees. This means that co-managers are having losses of up to 1½ points on some deals, suggesting that coupon levels on issues will have to rise still further.

Nomura fixed the coupon on its earlier issue of Kinki Nippon Railway at the indicated 5⅞ level, but said it is ¼ point outside fees at less 97%.

Two West German companies issued bonds with so-called going-public warrants, the first foreign borrowers to do so. TDB American Express Bank led a public issue for Thesing International Finance, guaranteed West German-based Thesing Group. The SFr25m of five-year bond issue has an indicated coupon of 3⅞ per cent. The warrants are exercisable into stock two years after the company goes public.

Also, Bank Julius Baer led a private placement of bonds with going-public warrants for ABS Pumpen AG, a West German manufacturer of diving pumps. The SFr25m five-year issue carries an indicated coupon of 3¾ per cent.

INTERNATIONAL BONDS

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barc. Bk. Fin. 10⅛ 89	200	†99⅞	99⅞	0	+0⅛	10.69
B.F.C.E. 7 92	150	92⅛	93	0	+0⅛	9.48
British Telecom 7⅜ 96	250	88⅛	88⅝	-	-	9.76
Cal.Natl.Telecom 8½ 93	160	†95⅛	96⅛	0	+0⅛	9.65
Canada 9 96	1000	†97⅜	97⅞	0	+0⅜	9.44
Canadian Pac 10⅛ 93	100	†102	103	0	-0⅛	10.05
C.C.C.E 7⅛ 91	113	†92	92⅞	0	+0⅛	10.08
C.C.C.E 9⅛ 95	300	97⅛	97⅞	0	+0⅛	9.76
C.N.C.A 7⅛ 91	150	†93⅞	94	0	+0⅛	9.50
Credit Lyonnais 9 91	200	†99⅛	99⅞	0	+0⅛	9.19
Credit National 8⅞ 93	200	95	95½	0	+0⅛	9.54
Credit National 7⅞ 92	100	93⅞	99	0	0	9.49
Credit National 7⅞ 91	150	-	-	-	-	-
Denmark 7⅞ 92	500	†92⅞	93⅛	0	+0⅛	9.52
E.E.C. 7 91	100	93⅛	93⅞	+0⅛	+0⅛	9.32
E.E.C. 7⅛ 93	250	92⅛	92⅞	+0⅛	+0⅛	9.37
E.E.C. 8 90	350	†98⅛	98⅞	+0⅛	+0⅛	8.87
E.I.B. 7⅞ 93	100	92⅞	92⅛	+0⅛	+0⅛	9.47
E.I.B. 9⅛ 97	100	97⅛	98⅛	0	+0⅛	9.70
Elec. De France 9 98	200	94⅛	94⅞	+0⅛	+0⅛	9.80
Finland 7⅞ 97	200	88	88⅛	0	+0⅛	9.98
Finland 7½ 93	200	†91⅞	92⅜	0	+0⅛	9.53
Finn.Exp.Cd. 8½ 92	200	97⅛	97⅞	0	+0⅛	9.33
Ford Motor Credit 8 91	250	96⅞	97⅛	0	+0⅛	9.38
Gen Elec Credit 10⅛ 00	200	†100⅛	100⅞	0	0	10.16
G.M.A.C. 8 89	250	98⅞	99⅛	0	+0⅛	9.09
Halifax BS 9⅞ 93	200	†98⅞	99	0	+0⅛	9.82
Hoesch 8⅞ 97	100	†91	91⅛	0	+0⅛	9.79
Italy 9 90	1000	†99⅛	100⅛	0	+0⅛	8.98
L.T.C.B. of Japan 8 91	100	†94½	95	0	+0⅛	10.13
L.T.C.B. of Japan 8 97	200	87⅞	88⅛	0	+0⅞	10.17
Mercds-Benz Cd. 8½ 95	100	†92⅛	93⅛	0	+0⅛	10.02
Metropolis Tokyo 9½ 93	200	100⅛	100⅞	0	+0⅛	9.40
Morgan Gauranty Tst. 7 90	100	96½	97⅛	0	+0⅛	9.29
Norway 8⅛ 93	500	97⅞	97⅞	0	+0⅛	9.39
Pepsico Inc 7⅞ 93	200	†92⅛	92⅞	0	0	9.43
Portugal 8⅛ 91	300	†96⅛	97⅛	0	+0⅛	9.58
Prudential Crp. 8⅞ 94	125	96½	97	0	-0⅛	9.49
Qantas Airways 10⅛ 95	140	102⅛	102½	0	+0⅛	9.90
Saskatchewan 10⅛ 92	100	103⅛	103⅞	0	+0⅛	9.49
State Bk S Aust 9⅛ 93	100	98⅛	98½	-0⅛	+0⅛	9.72
Swed Exp Cred 7⅛ 91	100	*94⅛	94⅛	0	0	9.32
Swed Exp Cred 10 92	100	†99⅞	100⅛	0	+0⅛	9.93
Sweden 7 91	250	93⅛	94⅛	0	+0⅛	9.29
Sweden 7 92	250	†91⅛	91⅞	0	+0⅛	9.94
Sweden 8⅛ 96	200	†94⅛	94⅛	-0⅛	+0⅛	9.79
Sweden 8½ 92	200	†97⅛	97⅛	0	+0⅛	9.28
Victorian Rep 11⅞ 92	150	105⅛	106⅛	-0⅛	0	9.62
World Bank 7 92	300	*93⅛	93⅞	0	0	9.36
World Bank 9 97	300	95⅛	95⅞	-0⅛	+0⅛	9.77
Yasuda Trust Fin 8½ 93	100	94⅞	95⅛	0	+0⅛	9.80

Average price change... On day -0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5⅛ 95	50	97⅛	98	0	0	5.51
Rep. of Italy 5⅛ 92	150	101⅞	102⅞	-0⅛	0	5.10
Sweden 4⅞ 93	50	97⅛	97⅞	-0⅛	+0⅛	5.29
World Bank 5½ 92	50	101⅛	101⅞	-0⅛	+0⅛	5.08

Average price change... On day -0⅛ on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10⅛ 93 £	50	97⅛	98⅛	-0⅛	-0⅛	10.80
Alg. Bk. Ned. 5½ 92 FL	150	97⅞	98	-0⅛	-0½	6.22
Amro Bank 6⅛ 92 FL	150	100⅛	101	-0⅛	-0⅛	6.07
Barc. Aust. 14 91 A$	20	101⅛	101⅞	0	0	13.34
Barc. Bk. 10⅛ 97 £	250	95½	95⅞	-0⅛	0	11.00
BP Capital 9⅞ 93 £	100	96⅛	96⅞	0	-0⅛	10.75
British Airways 10 98 £	100	93½	94	-0⅛	-0⅛	11.07
C.I.B.C. Mort. 10⅞ 93 C$	100	†97⅞	98⅛	+0⅛	+0⅛	11.26
Comm. Bk. Aust. 12⅞ 93 A$	100	98⅛	98⅞	+0⅛	+0⅛	13.24
Coop. Ctr. Rabo. 6⅛ 93 FL	100	99⅞	100⅛	+0⅛	-0⅞	6.24
Coop. Ctr. Rabo. 6 92 FL	200	99½	100⅛	-0⅛	-0⅛	6.07
Denmark 7⅛ 92 ECU	100	100⅞	101	-0⅛	-0½	7.51
Dixons 11 95 £	90	†96	96½	-0⅛	-2⅛	11.76
Deutsche Bank 9⅞ 97 £	75	†93	93½	-0⅛	-0⅛	11.11
Dept. Bk. Aust. 12⅞ 95 A$	70	†99⅛	99⅞	+0⅛	0	12.82
E.I.B 10⅞ 98 C$	130	†95½	96	-0⅛	-0½	10.84
E.I.B 8⅜ 93 LF	10	†100⅛	101⅞	0	+0⅛	8.25
Elec. France 10⅛ 95 C$	125	†96⅛	97⅛	-0⅛	-0⅛	10.88
Euratom 7⅜ 97 ECU	145	96	96½	-0½	-0⅛	7.98
Eurofima 7½ 92 FL	50	†104½	105⅛	+0⅛	+0½	5.97
Fed.Bus.Dv.Bk. 9⅞ 92 C$	75	†96½	97	+0⅛	+0⅛	10.81
Ford Cr.Can. 10⅛ 93 C$	100	†98⅞	99⅛	+0⅛	0	11.00
Gillette Can. 9⅞ 93 £	70	92½	93⅞	0	-0⅛	11.59
G.M.A.C. 9⅞ 93 C$	150	†94⅞	95⅛	-1⅛	-1⅛	11.11
G.M.A.C. 9⅛ 92 C$	75	†98	98½	-0⅛	-1⅛	9.80
G.M.A.C Aus. Fin. 14 90 A$	50	100½	101	+0⅛	+0⅛	13.47
Halifax BS 10⅛ 97 £	100	96	96½	-0⅛	-0⅛	11.05
Imp Chem Inds 10 05 £	100	94⅞	93⅛	0	-0⅛	10.66
Inv. Industry Int. 10 93 £	60	96⅛	96⅞	0	-0⅛	11.01
Lloyds Bank 10⅛ 98 £	150	94⅛	94⅞	-0⅛	-0⅛	11.22
Montreal Tst. 10⅛ 93 C$	100	-	-	-	-	-
Mtge. Bk. Den. 6⅛ 91 FL	100	100½	101⅞	-0⅛	-0½	6.34
Nat. West. Bk. 13⅛ 92 A$	50	†99	99½	0	0	13.32
Nationwide BS 10⅛ 93 £	75	97½	97½	0	-0⅛	10.88
Ned. Midd. Bank 6 92 FL	150	99½	100⅞	+0⅛	0	6.07
New Zealand 9½ 93 £	100	94⅞	94⅞	0	-0⅛	11.00
New Zealand 7⅛ 93 ECU	200	99⅛	100⅛	-0⅛	-0⅛	7.73
Oesters. Ktbk. 13⅛ 94 A$	75	102	102⅞	0	+0⅛	13.09
Prudential Fin. 9⅞ 07 £	150	†88⅞	88⅞	-0⅛	-0⅛	10.80
Royal Bk. Scot. 10⅛ 98 £	125	95⅞	96⅛	-0⅛	-0⅛	11.38
S.D.R. 7⅛ 95 ECU	90	99⅛	99⅞	0	+0⅞	7.86
Wstd. Lb. Fin. 12½ 93 A$	50	†99⅞	100⅞	-0⅛	+0⅛	12.53
World Bank 5⅛ 92 FL	100	98⅞	99⅛	-0⅛	-0⅛	5.97
World Bank 13⅛ 92 A$	100	†99⅛	100⅛	0	-0⅛	13.35

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99⅛	100⅛	+0½	+0⅛	5.99
Avis Fin. SVS 5⅞ 92	100	100	100½	-0⅛	0	5.78
Bank of Tokyo 5⅞ 93	100	99⅞	100⅛	-0⅛	-0⅛	5.77
Central BK. Turkey 7 92	200	102⅛	102⅞	-0½	-0⅛	6.28
Commerzbank o/s. 5⅞ 93	300	99	99½	+0⅛	0	5.56
Degussa Int. 6⅛ 97	200	98⅛	99⅛	0	0	6.31
E.I.B 5½ 98	150	96⅛	97⅛	-0⅛	-0⅛	5.93
E.I.B 6 97	300	98	98½	0	-0⅛	6.27
E.I.B. 6⅛ 96	300	99½	100⅛	0	-0⅛	6.16
E.I.B. 6⅛ 97	400	98⅛	99⅛	0	-0⅛	6.25
E.I.B. 6⅞ 95	300	102⅞	103½	0	-0⅛	6.29
Euro.Coal & Steel 5⅞ 97	175	97	97½	0	0	6.30
Eurofima 6⅛ 96	100	100⅞	101⅛	+0⅞	+0⅛	6.08
Elec De France 5⅞ 97	300	96⅛	97	0	+0⅛	6.26
Forsmark Krtg. 5⅞ 93	200	97⅞	98⅛	+0⅛	+0⅛	5.66
I.A.D.B. 6 97	200	97⅞	98⅛	0	0	6.38
Japan Dev. Bk. 5⅞ 95	300	96	96⅛	0	+0⅛	6.04
Japan Finance 5⅞ 97	100	95	95⅞	+0⅛	+0⅛	6.47
Ireland 6½ 97	300	99⅞	99⅞	-0⅞	+0⅛	6.57
Korea Dev BK 6⅛ 93	100	102⅞	103⅛	-0⅛	-0⅛	5.94
Malaysia 6⅛ 94	150	98⅞	99⅞	0	-1⅞	6.40
Nat. West BK. PLC 6 98	300	95⅛	95⅛	0	0	6.64
Nippon Telg.&Tel. 6 95	400	99⅛	99⅞	+0⅛	-0⅛	6.11
Oesters. Kontbk. 5 93	300	97⅞	98⅛	0	-0⅛	5.54
Portugal 5⅞ 92	150	99⅞	100⅞	0	-0⅛	5.75
Portugal 6⅞ 95	150	101⅞	102⅞	0	-0⅛	6.21
Privatbanken 5⅞ 93	100	96⅞	96⅞	+0⅛	-0⅛	6.15
Royal Insurance 5½ 92	300	100	100½	-0⅛	-0⅛	5.41
Soc Cent Nucleair 7⅛ 95	150	103⅞	104⅛	+0⅛	+0⅛	6.55
Turkey 6½ 95	500	97⅞	98	0	+0⅛	6.92
Westlb. Finance 5 93	200	†97⅛	98	0	-0⅛	5.53
World BK. 6⅛ 97	600	99⅛	100⅛	0	0	6.27

Average price change... On day +0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†101⅛	101⅞	-0⅞	+0⅞	4.77
Asfinag 5 03	100	†100⅛	100⅞	0	+0⅛	4.95
B.F.C.E. 4½ 98	200	†97½	97⅛	+0⅛	+0⅛	4.81
B.M.W. Fin. Neth. 5 93	150	†93⅞	94	0	0	5.46
Britannia B/S. 4⅛ 94	100	†97⅛	97⅛	0	-0⅛	4.75
CIR Int. W/W 3 93	225	†100	100⅛	0	-0⅞	2.99
Credit Lyonnais 4⅞ 00	100	†97½	98	0	-0⅞	5.01
E.I.B 4⅞ 98	150	†98⅛	99	0	0	4.77
Fletcher Chall. 4⅞ 98	150	†96⅛	97	-0⅛	-0⅞	5.29
Kobe City 4⅞ 98	150	†98⅛	98	0	+0⅛	4.77
Leeds Perm. B/S. 4⅛ 93	200	†98	98½	-0½	-0⅛	4.55
Malaysia 5⅛ 98	100	†98⅞	99	+0⅛	0	5.40
Maxwell Comm. Crp. 5 95	150	†101⅞	102	0	+0⅞	4.67
Nationwide Ang. B/S. 4 93	200	†97⅛	97½	+0⅛	-0⅞	4.62
Nippon Telg.&Tel. 4⅞ 95	200	†99⅛	100	0	0	4.27
Oesters. Ktbk. 5 03	75	†99⅛	100	-0⅞	+0⅞	5.02
Rep. National Bk. 4 93	150	†96	96½	0	0	4.42
Thailand 4⅞ 95	200	†95⅛	95½	-0⅛	0	5.45
World Bank 5 03	150	†98	98⅛	0	-0⅛	5.18

Average price change... On day -0⅛ on week 0

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.38	99.43	21/07	8.33
Belgium 91 US	0	100.41	100.51	22/08	7
Britannia 5 93 £	0⅛	99.69	99.73	10/10	10.37
Chase Manhattan Crp. 91 US	0⅛	99.35	99.53	22/08	6.94
Citicorp 98 US	†0⅛	97.05	97.30	31/08	7.69
EEC 3 92 DM	†0	100.45	100.55	22/08	3.56
Halifax BS 94 £	.1	99.75	99.80	9/08	8.47
Invt. in Industry 94 £	†0	99.80	99.90	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.86	99.91	13/01	10.44
Midland Bank 01 £	.1	94.87	95.87	11/08	8.94
Milk Mkt. Brd. 5 93 £	0⅛	99.75	99.80	30/09	10
New Zealand 5 97 £	.07	99.71	99.81	18/08	7.81
New Zealand 5 01 US	0	99.80	99.90	4/08	6.98
State Bk. Nsw. 98 US	.188	100.15	100.24	11/08	7.09
United Kingdom 5 92 US	*10	100.05	100.05	7/01	7.81
Woolwich Equit. BS. 95 £	0⅛	99.62	99.67	15/07	5.12
Woolwich 5 95 £	†0⅛	99.71	99.76	19/08	7.87

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Alcoa 6⅛ 02 US	8/87	62	101⅛	102⅛	-0⅛	31.39
Alco Health 6⅛ 01 US	†7/86	26.25	105	106	0	-0.67
Amer. Brands 7⅛ 02 US	9/87	56.7	98⅛	99⅛	-0⅛	22.71
Ashikaga Bank 2⅞ 92 US	4/87	967.	121⅛	123⅛	-2⅞	1.12
Asics 5 92 DM	12/83	472.7	208⅞	210⅛	0	4.09
CBS. Inc. 5 02 US	4/87	200.	89⅛	90⅛	-0⅛	13.61
Fujitsu 3 99 US	5/84	1106.	285	286	-8⅞	-4.28
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	122⅛	123½	-0⅞	0.95
Land Secs. 6⅛ 02 £	6/87	6.72	95	96	-0½	15.07
MCA Inc 5½ 02 US	†9/87	69.62	78⅛	79⅛	-0⅛	38.36
Minolta Camera 2⅛ 94 DM	2/86	1004.	101⅞	103⅛	0	20.22
Mitsubishi Bk. 1⅞ 02 US	9/87	3157.	108⅛	109⅛	0	2.57
Mitsui trust 2⅞ 01 US	10/86	1903.	118⅞	120⅛	-2½	-2.39
Next Plc 5⅞ 03 £	11/87	4.3	98⅞	99⅞	-0⅞	83.40
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	113⅛	114⅛	-1⅞	2.06
Onoran Taisei 2⅞ 02 US	4/87	1310.	213½	215	-3⅛	-1.18
Primerica 5½ 02 US	†4/87	66.75	65	66	-0⅛	56.15
Ranks Hovis 4⅞ 03 £	1/88	3.5	117½	118⅛	0	0.73
Redland 7⅛ 02 £	1/87	5.4	87⅛	88⅛	-0⅛	14.83
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	98⅛	99	-1	19.97
Texas Inst. 2⅞ 02 US	†9/87	82.87	72⅛	73⅛	-0⅞	57.68
W.R. Grace 6⅛ 02 US	9/87	42.12	80⅞	81½	-0½	40.92

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Evans Halshaw expands to £3.65m

By Richard Tomkins, Midlands Correspondent

CONTINUED BUOYANCY in the UK car market helped Evans Halshaw, the Birmingham-based motor dealer, produce another strong rise in pre-tax profits from £2.41m to £3.65m for the six months to end-June.

Mr Geoffrey Dale, chairman, said the group's acquisitions had enhanced earnings but most of the growth had come from existing operations within the company's three divisions – motors, the Moprod components operation, and contract hire.

Mr Dale also sounded a note of caution over future trends in the UK motor trade, pointing out that the rate of growth in car and truck registrations was unlikely to be sustained at present levels of 11 to 12 per cent.

Group turnover rose from £102.8m to £129.2m, trading profits rose from £2.87m to £4.37m, and the interest charge rose from £453,000 to £728,000.

Earnings per share rose by 47 per cent from 11.4p to 16.8p and an interim dividend of 3p has been set, up from 2p.

Both the pre-tax profit and tha 50 per cent dividend increase were forecast by the company last month when it accompanied the purchase of three more Ford dealerships with a £17.6m rights issue.

Mr Dale said all the group's dealerships – now numbering 33 – had increased profits. The Jaguar and truck businesses had been particularly successful, while the Ford dealership in Preston, the Rover dealership in Hanley and the BMW business in Chesham had performed sluggishly because of relocation or reorganisation.

The Moprod distribution operation had seen the acquisition of the sole Moprod distributor in Northern Ireland in January and contract hire was benefiting from the steep growth in the fleet size which started three years ago.

"Our trading in August is exceptionally strong and gives me confidence that the group will exceed its objectives for the full year," Mr Dale said.

● COMMENT

The spectre of rising interest rates has served to underline worries about the sustainability of booming UK car sales and Evans Halshaw wisely offers its own warning over the long-term outlook. But the degree of Evans's exposure to new car sales needs to be kept in proportion: Such is the group's spread of interests across the motor trade that its chairman reckons new car sales would have to drop by 5 per cent before its own pre-tax profits began to fall. As with house prices, however, the present consensus is that a slowdown in the rate of increase is more likely than a decline: And against this background Evans Halshaw is establishing itself as one of the City's favourite motor distributors. The dilution produced by last month's rights issue challenges the company to come up with more strong acquisitions of the UBM Motors variety to sustain above-average earnings growth next year, but with around £9.5m in sight this time, the prospective multiple of 9.7 at yesterday's 348p puts the shares at a premium to the sector and indicates the market's confidence.

Farnell unveils bid for Wayne Kerr

By Philip Coggan

FARNELL ELECTRONICS, the Leeds-based electrical components distributor, yesterday announced the long-awaited bid for one of its suppliers, Wayne Kerr, Bognor Regis-based electronic test equipment manufacturer.

A bid from Farnell has been rumoured ever since November 1986, when it bought a 6.26 per cent stake in Wayne Kerr, increasing its holding to 10 per cent the following year.

Yesterday's cash offer values each Wayne Kerr share at 110p and the whole company at £11.6m. There is a share alternative of two Farnell shares for every three in Wayne Kerr, valuing each of the latter at 100p, based on last night's closing Farnell price of 150p, down 2p. Wayne Kerr's shares rose 7p to 107p.

USM-quoted Wayne Kerr has had a mixed profits performance since it joined the market in 1985, via an offer-for-sale which valued each share at 130p. Although profits rose by £200,000 to £1.3m in 1985, problems in the US caused a fall to £553,000 the following year.

Yesterday, the group announced an increase in interim pre-tax profits from £261,000 to £501,000 in the six months to June 30. Profits on continuing businesses increased only marginally from £485,000 to £501,000, although earnings per share doubled from 1.5p to 3p.

Farnell was the subject of some controversy earlier this year when it decided to treat losses on its equity investments as an extraordinary, rather than an exceptional, item.

The group's auditors wanted to treat the item as exceptional, which would have knocked Farnell's pre-tax profits, but after a dispute, the auditors decided not to qualify the accounts.

Irish Distillers receives further approaches

By Lisa Wood

IRISH DISTILLERS, distiller of Bushmills and Jamesons whiskey, said yesterday it was examining a number of approaches in addition to the I£253m (£212m) hostile bid from Grand Metropolitan.

The company refused to say whether they were possible offers or businesses seeking a substantial minority stake to block the bid from GrandMet, which is offering I£4 per share or guaranteed loan notes. GrandMet, which was buying in the market yesterday, is understood to have taken its stake to about 4.5 per cent.

Analysts were puzzled as to which of the major drinks companies Irish Distillers could be talking. Pernod-Ricard has announced it is not pursuing the company. Guinness, Allied-Lyons, Bols, and Suntory are understood not to be in the running. Seagram, the Canadian group, was making no comment yesterday. However it sold a stake in Irish Distillers a year ago and through a distribution agreement recently struck with GrandMet it would have access to the whiskey brands should they be acquired by GrandMet.

The bid is likely to be referred.

IMO's agreed Varo bid blocks United Scientific

By Clay Harris

UNITED SCIENTIFIC Holdings, defence equipment manufacturer, last night was considering its response to a rival agreed bid for Varo, the US maker of night-vision equipment which United Scientific has been stalking for nearly six months.

In early trading in New York yesterday, Varo shares were $2⅜ higher at $25⅝. The recommended $25 offer from IMO Delaval values Varo at $112m (£66.7m).

Last week, United Scientific raised its bid to $22 per share, from the $17.50 which had been on the table since February.

Varo's agreement with IMO contains provisions intended to inhibit new bids. For example, the offer depends on IMO receiving two-thirds of Varo's shares outstanding on a fully diluted basis. Varo will pay New Jersey-based IMO $3m under certain circumstances in which the merger is terminated or the bid unsuccessful.

In addition, Varo has agreed to grant IMO an option on up to 835,350 authorised, but unissued shares at $25 each.

Analysts do not believe there will be any US anti-trust barriers to the IMO-Varo deal.

HongkongBank

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

1988 Interim Report

The Directors announce that the unaudited profit for the six months ended 30 June 1988 attributable to the shareholders of the Bank was HK$1,674 million (1987: HK$1,412 million), an increase of 18.6 *per cent*. The profit was arrived at after providing for taxation and after making transfers to inner reserves.

The Directors have declared an interim dividend of HK$0.13 per share (1987: HK$0.11 adjusted), resulting in an increase in distribution per share of 18.2 *per cent*. The dividend will be payable on 29 September 1988 to shareholders whose names are on the Register of Shareholders on 28 September 1988. It will be payable in cash, with a scrip alternative, in accordance with arrangements previously announced.

In Hong Kong the pace of economic growth was strong during the first half, but exports increased at a more modest rate. Inflation remains a cause for concern, and there are signs of overheating in the property market, but overall the economy performed well. The stock market continued to recover and the US dollar exchange rate was stable. The banking sector, helped by strong loan demand, enjoyed steady profit growth.

Elsewhere in the region most major economies grew satisfactorily, and the Bank's traditional operations prospered accordingly. In the Middle East results were mixed but showed some improvement. In North America Marine Midland Bank returned to profit and Hongkong Bank of Canada produced an encouraging performance. The operating results of Wardley, the group's merchant banking arm, were in line with expectations. The James Capel group continued to operate profitably but their results, and those of CM&M, were adversely affected by difficult trading conditions. Other group subsidiary and associated companies performed satisfactorily.

Midland Bank, in which the group acquired a 14.9 *per cent* interest last December, recently announced improved results and the partnership is already bringing benefits to both parties. Business links have been strengthened and agreement has been reached on the transfer of a number of branches and subsidiaries. Some of these transfers have already taken place and others will be completed in the coming months. The group has now absorbed the Midland operations in Singapore, Korea and Canada and will have transferred to Midland, or sold or closed, the Bank's branch operations in continental Europe by the end of this year.

In April the Bank sold its branches in Fiji, Vanuatu and the Solomon Islands to Westpac Banking Corporation; and last month, in accordance with its strategy of further strengthening the group's capital base, the Bank placed £150 million of long-term subordinated loan capital with a number of international financial institutions.

While there may be some slowing down in the second half of the year, your Directors expect profit trends will allow them to recommend a final dividend for 1988 of not less than HK$0.26 per share, equivalent to an increase of approximately 13.0 *per cent* in the dividend per share distribution over 1987.

Consolidated Profit and Loss Account (unaudited)

6 months to 30 June 1987 HK$m		*6 months to 30 June 1988* HK$m	£m	US$m
1,454	Net profit of The Hongkong and Shanghai Banking Corporation and its subsidiary companies	1,737	130	222
136	Share of net profits of associated companies	146	11	19
1,590		1,883	141	241
(178)	Profit attributable to minority interests in subsidiary companies	(209)	(16)	(27)
1,412	**Profit attributable to the shareholders of The Hongkong and Shanghai Banking Corporation**	1,674	125	214
(159)	Transfers to reserves by subsidiary and associated companies	(208)	(16)	(27)
(566)	**Interim dividend**	(679)	(51)	(87)
687		787	58	100
2,744	Balance brought forward	3,912	292	501
11	Exchange adjustments	7	1	2
3,442	Retained profits carried forward	4,706	351	603
HK$0.29 (adjusted)	Earnings per share	HK$0.32	£0.02	US$0.04
HK$0.11 (adjusted)	Dividend per share	HK$0.13	£0.01	US$0.02

Consolidated Balance Sheet

31 December 1987 (audited) HK$m		*30 June 1988 (unaudited)* HK$m	£m	US$m
11,818	Share Capital	13,063	974	1,674
2,076	Share Premium Account	892	67	114
15,493	Reserve Fund	16,054	1,197	2,057
3,912	Retained profits	4,706	351	603
33,299		34,715	2,589	4,448
2,743	Minority interests in subsidiary companies	2,909	217	373
18,650	Loan capital and preference shares	18,723	1,396	2,399
54,692		56,347	4,202	7,220
22,504	Hong Kong currency notes in circulation	23,894	1,782	3,062
745,228	Current, deposit and other accounts	791,970	59,058	101,490
1,229	Dividend payable	679	51	87
13,747	Acceptances on behalf of customers	14,916	1,112	1,911
837,400		887,806	66,205	113,770
207,812	Cash and short-term funds	241,203	17,987	30,910
65,418	Time deposits with banks payable within twelve months	61,337	4,574	7,860
30,742	Trade bills discounted and bankers' certificates of deposit purchased	34,291	2,557	4,394
22,444	Hong Kong Government certificates of indebtedness	23,834	1,777	3,054
46,952	Investments	50,263	3,748	6,441
427,211	Advances to customers and other accounts	438,852	32,726	56,238
800,579		849,780	63,369	108,897
2,452	Investments in associated companies	2,594	194	332
16,626	Bank premises and other properties	16,537	1,233	2,119
3,996	Furniture, plant and equipment	3,979	297	511
13,747	Liabilities of customers for acceptances	14,916	1,112	1,911
837,400		887,806	66,205	113,770

Closing of Register of Shareholders

The Register of Shareholders will be closed from 12 September until 28 September 1988 (both dates inclusive). In order to qualify for the interim dividend, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 pm on 9 September 1988.

Directors' Interests

At 30 June 1988 Directors and their associates had the following interests in the shares of the Bank. Except where otherwise indicated, these interests were beneficial interests.

K W Barker	9,312	K S Li	1,684,716
J R H Bond	25,611	C W Newton	5,782
D E Connolly	458,260	W Purves	84,277
L S Dunn	21,345*	H Sohmen	989,100
F R Frame	52,959	J J Swaine	683
R R Frederick	28,160	J C C Tang	33,000
J M Gray	31,766	G A Thompson	11,000
D G Jaques	53,659	P J Wrangham	116,011

* non-beneficial interests

As Directors of Marine Midland Bank, N.A., J R H Bond, F R Frame, R R Frederick, N R Knox, W Purves and G A Thompson each had a beneficial interest in 10 shares of common stock of that Company.

By Order of the Board
R G Barber
Secretary

Hong Kong, 23 August 1988

Next expands into garden products with £2.9m acquisition of G T Sutton

NEXT, the retail group, yesterday announced that it is buying a 90 per cent interest in G T Sutton, a small horticulture company, for £2.9m.

Next says that the acquisition is part of a declared policy of expanding into the sphere of gardening and garden-related products, and is also consistent with its policy of underpinning its supply source.

Sutton is principally involved in growing and marketing rose-trees and garden-shrubs and plants. Yesterday afternoon, no one was available to elaborate at Next.

The acquisition price will be met by the issue of 1.12m Next shares and £287,545 in cash.

DIVIDENDS ANNOUNCED

		Current paymant	Date of peyment	Corres-ponding dividend	Total for year	Total last year
Cambridge Elect.	int	2.65	Nov 1	2.4	-	8.5
EBC Group §	int	3.6	-	2.22*	-	7
E&S Investors	int	0.65	-	0.55	-	1.7
Evans Halshaw	int	3†	Oct 7	2	-	7
Fed. Housing	int	2.5	Oct 31	1.7	-	5
Frost Group	int	4	-	3	-	7
Life Sciences	int	0.5	Oct 18	0.3	-	0.8
Lond and St Law	int	2.16‡	—	1.46	—	—
NEI	int	1.8	Jan 3	1.65	—	5.25
Pleasurama	int	2.25†	Oct 12	2	-	6
Scand. Bank	int	2.82	Oct 8	2.7	-	8
Taylor Woodrow	int	3	-	2.5	—	10.5
Temp. Galbraith	int	3.5★	Oct 10	3.5	-	10

Dividende shown pence per ehare net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ★US cents throughout. ‡ Includes special payment of 0.6p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barr & Wallace Arnold Trust, Hanson, Jourdan (Thomas), Pennine Optical, Queens Moat Houses, RKF, Victaulic, Wates City of London, Weir Group.
Finals- SelecTV, Trans-Natal Coal Corp.

FUTURE DATES

Interims-	
American Trust	Aug 31
Aspen Communications	Sept 5
Bank of Scotland	Sept 21
Erith	Aug 31
Guinness	Sept 15
Halls, Homes & Gardens	Sept 7
Ibstock Johnsen	Sept 14
Lambert Howarth	Sept 1
Pickwick	Sept 6
Robinson Brothers	Sept 5
Tronoh Mines	Aug 30
Finals-	
Coronation Syndicate	Sept 15
Goodhead Print	Sept 5
Highgate & Job	Sept 1
News Corp.	Aug 25
News Intl.	Aug 25
Twesfontein Utd Collieries	Sept 15

Mecca Leisure chiefs launch scathing attack on bid target's half year results

Pleasurama advances by 38% to £22.5m

By David Waller

PLEASURAMA, the casinos, holidays and slot-machine group fighting a £750m takeover bid from Mecca Leisure, yesterday announced a 38 per cent rise in pre-tax profits for the six months to the end of the June.

Although broadly in line with brokers' expectations, the increase in profits – from £16.3m to £22.5m – came in for scathing criticism from Mecca.

Mr Michael Guthrie, chairman and chief executive of the predatory company, claimed that the figures reflected the "disappointing performance" of both Pleasurama's core business and acquisition strategy over the last two years.

Mr Jeremy Long, Mecca's finance director, expanded on this, pointing out that the pre-tax profit was struck after capitalising interest of £1.23m. Furthermore, he claimed that the true basis of comparison should be the first half of 1986, not the first half of 1987.

Yesterday's figures showed a 20 per cent improvement in earnings per share, from 5.1p to 6.1p. Mr Long said that investors should focus on the 5.55p made in the first half of 1986.

"Last year's earnings were heavily depressed because of a fall-off in the casino market," he said. "They had no such excuse in 1986 and it is disturbing that earnings should have increased by only 10 per cent over two years.

"This is despite spending well-nigh £150m on acquisitions over the period. The figures just prove what we have said all along – that Pleasurama have made a series of expensive acquisitions which have had hardly any impact on earnings."

Barry Hardy – group has been transformed.

Mr Barry Hardy, Pleasurama's development director, retorted by saying that the group had been transformed over the two- year period. "We are now a much more diversified group," he said. "It's like comparing chalk with cheese."

He pointed out that the basis of the group's strategy had been to move away from over-dependence on fickle earnings from casinos. If earnings had improved by only 10 per cent in absolute terms, their quality was enhanced immeasurably.

Answering Mecca's criticisms about interest capitalisation, he said that this related to a number of development projects and was a perfectly reasonable treatment, given the company's recent move into property.

Group turnover rose 43 per cent to £143.08m, and trading profits rose by 56 per cent to £27.4m. London casinos did particularly well, increasing their contribution from £5.33m to £7.46m; hotels and holidays also did well, rising from £2.3m to £4.48m. There was a full six months' contribution from President Entertainment, accounting for the rise in catering/general leisure profits from £0.32m to £3.33m.

The interim dividend was raised by 13 per cent to 2.25p; the shares edged down 1p to 248p ahead of today's posting of the Mecca offer document.

See Lex

Investment business fall hits Scandinavian Bank

By David Barchard

SCANDINAVIAN BANK yesterday announced pre-tax profits of £11.4m for the six months ending June, well above its pre-tax profit figure of £517,000 in June 1987, when the bank made exceptional provisions of £14m to cover losses on developing country debt.

This year there were no exceptional provisions. However, excluding the debt provisions of June 1987, a comparison of this year's pre-tax profits to June with those of a year ago shows a fall of £3.1m.

Mr Garrett F Bouton, managing director, said the fall in profits resulted from a decline in business by the bank's Swiss-based global investment management operation.

"Operations in our other three business have improved since the start of the year," and Scandinavian is now building up its merchant bank and corporate financial services arms and has formed a team to specialize in trading developing country debt," he added.

Since January Scandinavian's capital resources have grown from £217.8m to £257.6m, with reserves up from £28.8m to £32.1m and loan capital up by 52 per cent to £105.3m.

Minority interests have been reduced from £27.3m to £25.7m, while shareholders' funds have risen from £121.4m to £126.5m.

The bank's balance sheet has shrunk, according to Mr Bouton, partly because of a deliberate decision to emphasize return on assets but also because of the effect of currency fluctuations on its multi-currency operations.

Liquid and short term assets were up to £814m (£644m), but deposits of less than one year with other banks were down to £488m (£836m). Loans and advances were £1.45m (£1.48m).

Acceptances were £75m (£125m) and fixed assets and other accounts were £154m (£161m).

The bank transferred £5.4m to reserves (£5.6m transferred from reserves). Earnings per multicurrency unit in which the bank's capital is denominated were 9.7p (loss of 4.7p) and a dividend of 2.82 per unit was declared (2.7p).

Crash leads to midway setback for Templeton, Galbraith

By David Waller

TEMPLETON, Galbraith & Hansberger, Nassau-based fund management group which joined the London stock market in 1984, yesterday reported pre-tax profits down from \$26.56m to \$21.62m (£12.87m) in the six months to the end of June.

Mr Tom Hansberger, chief executive, said yesterday that the fall in profits was regrettable but inevitable in the aftermath of last October's market correction.

He drew solace, however, from the fact that funds under management had actually grown in the last year, and said the group had taken advantage of post-crash conditions to shift the emphasis of its business.

At the end of the half year, the group was managing assets of \$12.9bn, compared with \$12.5bn on June 30 1987 and \$10.4bn this January. Of the first half total of \$12.9bn, some \$1.7bn was new money raised, compared with \$1.3bn of new funds attracted in the first six months of 1987.

Mr Hansberger said that 58 per cent of the new money came from public underwritings of closed-end mutual funds (akin to investment trusts in the UK), for which Templeton receives no commission.

Although there had been a substantial drop in commission generated by sales of mutual funds to the public, this had been offset by higher fee-income based on the enlarged funds under management.

Turnover fell by 24 per cent to \$51.97m. Mr Hansberger attributed this to the fall in gross commission, which accounted for 39 per cent of turnover against 57 per cent a year ago.

Earnings per share fell from 13.8 cents to 11.8 cents; the interim dividend was pegged at 3.5 cents a share.

● COMMENT

The drop in Templeton's earnings was the first in the group's history, according to Mr Hansberger yesterday. Under the circumstances, it was hardly surprising and the shares failed to react, closing unchanged at 126p. The figures suggest that Templeton has adapted with some agility to post-crash conditions, moving away from the retail side of the business and introducing fixed-income rather than equity funds. Not only did distribution expenses fall dramatically as a result, but there was a significant shift away from gross commission income towards higher quality investment advisory, management and service fees. This is encouraging, and the group should make \$44m in the full year, putting the shares on a prospective multiple of around 9, underpinned by a 6.5 per cent yield. But it remains to be said that only the most devoted exponent of the contrarian theory of investment would buy the shares now, even though they stand well below half the price they achieved a year ago. A surge in the US dollar would help sentiment, though.

Berisford bid for Billingsgate hits snag

By Paul Cheeseright, Property Correspondent

THE BID by a S & W Berisford subsidiary to buy all the preference shares of Billingsgate City Securities ran into difficulty yesterday when it was disclosed that United Bank of Kuwait Nominees had accumulated 9.2 per cent of the stock.

UBK Nominees, a collection of discretionary funds controlled by the bank, has been buying the stock at 135p a share, compared with the Berisford offer price of 130p.

A series of purchases, completed by Monday evening, lifted the UBK Nominees stake from 5.2 per cent to 9.2 per cent. Once UBK Nominees left the market the share price slipped back to 133p.

The aim of UBK Nominees is evidently to force a substantially higher offer out of Erlanger Commercial, the Swiss unit being used by Berisford to mount the offer. But Charterhouse Bank, which is handling the offer for Erlanger, said the offer price was believed to be fair.

The Billingsgate preference shares are one of three layers of securities issued in June 1986 to form a single asset property company based on Midland Montagu House, a City of London office building. Berisford held all the ordinary shares and there was a deep discount bond. The preference shares, quoted in London since June, are the only single asset property company securities available on the market.

The preference shares, originally listed in Luxembourg at 100p, have never been actively traded and that is one reason why Berisford mounted the bid to mop up the issue. It has control of 52 per cent of the issue. But independent directors have not advised shareholders to accept the offer.

Midland Montagu House was valued at £110m last March and this figure is the basis of the Erlanger offer. However, UBK Nominees considers the building to be worth £145m, giving the preference shares a net asset value of 178p.

It added that its view was shared by another, unnamed, City institution. Together the two account for 15 per cent of the preference shares.

UK COMPANY NEWS

Cambridge Electronic rises to £6m despite components side shortfall

By Andrew Hill

CAMBRIDGE ELECTRONIC Industries, which yesterday announced the purchase of two US electronic components businesses from its former parent company Philips, also reported pre-tax profits up 19 per cent to £6.01m in the six months to June 30. Group turnover rose 10 per cent to £74.9m.

Sales at the interconnection technology division increased by 9 per cent to £23.4m (£21.5m). The division's trading profits grew 42 per cent to £2.26m (£1.59m), with Bepi Circuits returning to profitability.

However, the electronic components division suffered a setback in trading profits, which fell from £1.48m to £979,000 on sales of £18.1m (£17.2m).

CEI said this was caused by the short-term difficulty of recruiting and retaining personnel at the Hinchley transformer and power supply subsidiary, based at Devizes, Wiltshire, and an unexpected surge in orders from important Japanese customers. Belling Lee, circuit protector and filter manufacturer, had a disappointing start to the year.

Defence and instrumentation profits rose to £1.37m (£1.28m) on sales of £16.8m (£16.4m), and the group said it hoped to be awarded a £10m instrumentation contract in North America within the next three months.

Specialist companies pushed up profits by 53 per cent to £1.57m (£1.03m) on turnover of £16.8m (£13.2m).

Earnings per share advanced 1.5p to 9.2p and CEI declared an interim dividend of 2.65p (2.4p). The shares fell 14p to 246p.

● COMMENT

Analysts seem dubious about CEI's ability to pep up the new US businesses. The acquisitions will probably not dilute earnings, and they certainly broaden CEI's geographic spread, but the question is whether the companies are capable of growth now they are free of the Philips fetters. Profit margins at the two companies have been declining for the last five years, and the UK group has said it is unlikely to replace existing management. Nervous observers also recall the history of CEI's one previous US acquisition, Elec-Trol, bought in 1982, which returned to profit in 1987 after two years in the red. These worries were compounded yesterday by disappointment about Hinchley's losses, blamed on the turbulent Devizes labour market. That said, the other subsidiaries performed creditably and the company is moving forward, after a few years of painful rationalisation. If full-year profits approach £16m, the shares look fairly valued on a prospective p/e of just over 10.

HRGM in expansion of US network

By Nick Bunker

HOGG ROBINSON & Gardner Mountain, the London-based insurance broking group, is extending the US network of its North American subsidiary, Republic Hogg Robinson, with two small purchases in Michigan and Massachusetts.

The first deal, the acquisition of Phoenix Agency, an independent insurance agent based in Saginaw, Michigan, is part of HRGM's strategy of expanding its US branch outlets by buying small to medium-sized agency businesses at a time when many independent agents are feeling the need for backing from larger groups.

HRGM said it was paying an initial $850,000 (£500,000) for Phoenix with a further $450,000 payable between now and 1992 depending on profits. Phoenix's 1988 pro-forma pre-tax profits are $290,000.

The second deal is more unusual and involves HRGM moving from 40 per cent to 55 per cent control of Hokanson-Anderson, a Marshfield, Massachusetts-based company which runs a specialist insurance administration business called Group Insurance Service Center.

It manages in-house health insurance schemes for US companies and has close business ties with HRGM, through which it arranges excess medical insurance coverage at Lloyd's of London and with US insurers.

HRGM said it will pay an initial $125,000 for the extra shares, with a deferred payment of $525,000 over six years. Hokanson-Anderson's pro forma pre-tax profits are $500,000.

Holmes & Marchant acquires Catalyst

By Philip Coggan

HOLMES & MARCHANT Group, marketing services company, yesterday announced a recommended £12.9m offer for Catalyst Communications, sales promotion and design group, which recently moved from the Third Market to the USM.

Irrevocable acceptances have been received from holders of 43.8 per cent of Catalyst's equity. Holmes acquired 8.2 per cent of Catalyst's shares yesterday, bringing its stake, including acceptances, to a little more than 50 per cent.

Yesterday, Catalyst announced pre-tax profits for the six months to June 30, of £583,000 a tiny increase on the £579,000 in the first half of last year. While turnover increased just 3.3 per cent to £7.69m (£7.44m), administration expenses rose by 30.7 per cent to £2.56m (£1.96m). Earnings per share fell 16 per cent to 2.1p (2.5p).

Analysts estimated that the result was likely to dilute Holmes' earnings per share by about 15 per cent in the next financial year.

Catalyst said that one sales promotion company, Alternate Resources, was affected by adverse exchange rates and a build-up in costs, resulting in a first-half loss. New management has been installed and the company was operating profitably.

When the offer becomes unconditional, Mr Tim Rosen, chairman and Mr Leslie Kent, managing director, of Catalyst will resign.

Holmes is offering one of its ordinary shares for every four in Catalyst. On the basis of last night's closing Holmes share price of 247p, down 13p, the offer values each Catalyst share at about 62p. Catalyst's shares closed up 6p at 58p.

The move is the latest in a series of acquisitions by Holmes since it joined the stock market three years ago. Last month the company paid £3m for Broadbent, London-based advertising agency.

Catalyst has also been active in the acquisitions field since it became one of the first companies on the Third Market in January 1987. Particularly it built up its sales promotion activities which accounted for about 60 per cent of profits last year.

Halfway losses at Olives Paper Mill

By Philip Coggan

OLIVES PAPER Mill, paper and property company, yesterday announced an interim pre-tax loss of £31,600, compared with a profit of £115,000 at the same stage last year.

As at the previous full year, exceptional items, principally compensation paid to former directors, pulled the company into the red, despite the fact that the group made a profit at the operating level.

Management control of the company changed in September last year when shareholders approved a proposal for Mr Michael Kent, a property developer, to inject £3.74m into the group. Since taking control, Mr Kent has revamped the board and has acquired Kent City Developments, a private property company owned by himself.

In his statement yesterday, Mr Kent said that the results reflected the cost of refurbishment work and modernisation of plant and machinery. Operating profit was £87,000 (£202,000) on turnover of £4.96m (£4.68m). Interest receivable was £83,000 (£87,000 payable) but there was an exceptional debit of £202,000, reflecting redundancy costs of £82,000 and directors' compensation of £120,000.

The statement said that Kent City Developments had made forward property sales of some £6m, which would make a contribution of not less than £1.7m to profits during the current financial year. "I am confident that the group will achieve a very satisfactory level of profit for the year as a whole" said Mr Kent, who also expected, subject to no unforseen circumstances, a return to the dividend list.

Olives' shares closed unchanged at 175p.

KLP widens its UK activities

By Clare Pearson

KLP, sales promotion consultancy, has bought a group of London-based marketing services companies for £1.5m. The deal marks KLP's eighth acquisition in its current financial year.

The purchase of Osborne, the holding company for the group, widens KLP's activities in the UK into the fields of advertising, market research and public relations.

It follows a major expansion of KLP's US operations two months ago, when it announced it was buying Metro Seliger Industries, a direct-marketing agency, and Field Research Corporation, a market research concern, for a combined maximum of $25.6m (£15.2m).

Mr Colin Lloyd, chief executive, said KLP did not intend to make a push into mainstream advertising, but Osborne's strength in response-led techniques would fit in with the requirements particularly of KLP's financial services customers.

The consideration is being satisfied mainly in cash, but also involves the issue of 79,884 new shares.

Osborne incurred a pre-tax loss of £554,000 in the year to end-June 1987, which Mr Lloyd said was due to a number of non-recurring factors. The company has warranted an operating profit of £356,000 for the year to end-June 1988. Its operating companies include Lonsdale Research, Lonsdale Advertising, and Studio on the Square.

Mr Lloyd said that after paying for Osborne, KLP would have about £3m left from the proceeds of a £9m call on shareholders in June, and an £8m earlier rights issue.

Ansbacher buy

Henry Ansbacher Holdings, merchant banking group, has added a fourth offshore banking subsidiary to its network of outlets in the world's tax havens.

It has bought 75 per cent of Guinness Mahon Cayman Trust, a Grand Cayman-based licensed bank and trust for £3m satisfied by £750,000 cash and £2.25m in shares.

The Grand Cayman operation was sold to its management by the Guinness Mahon group in June, after a year in which it suffered an exceptional loss of £1.04m on the sale of an investment.

Ratcliffs shares excited by Bromsgrove holding

By Nikki Tait

SHARES IN Ratcliffs (Great Bridge), brass and copper strip manufacturer, jumped 15p to 143p yesterday on news that Bromsgrove Industries, Birmingham-based specialist engineering group, had acquired 544,000 shares, or 11.62 per cent.

According to Ratcliffs, the bulk of the stake was bought from Arbuthnot Latham, merchant bank, which in turn acquired it from Leyland Growth last month.

The Bromsgrove holding was bought at 125¼p a share.

Yesterday, Ratcliffs pointed to the fact that NZI Corporation, New Zealand-based financial serivces group which is being acquired by General Accident, UK composite insurer, appeared to be associated with all three companies.

NZI acquired Arbuthnot Latham earlier this year, and in June announced that it held 12.15 per cent of Bromsgrove.

The GA offer for NZI follows the auction of a 38 per cent stake held by Sir Ron Brierley's Brierley Investments. Brierley, meanwhile, still has a direct interest in Ratcliffs; the stake, held through Industrial Equity (Pacific) stands at about 8.5 per cent.

Bromsgrove, where no directors were available to comment yesterday afternoon, has an acquisitive reputation, although it recently sold on a small stake in Banro Industries to Wagon Industrial Holdings, when the latter emerged as a bidder.

Ratcliffs, which fell into the red in 1986, recovered to a £425,000 profit last year.

The Ratcliff family speaks for 54 per cent of the company's shares.

T&N raises £7m through disposals

T&N, engineering group, has raised £7m through two disposals that mark the final stage of its retreat from the European fibre cement market, writes Clare Pearson.

The company has sold to Compagnie Financiere Eternit of Belgium its 49 per cent stake in the Irish Tegral group, as well as its residual 49 per cent holding in Eternit's own UK subsidiary. Eternit acquired 51 per cent of this company, Eternic TAC, from T&N two years ago.

These moves are in line with a string of small disposals of non-core businesses recently made by T&N.

Channel Tunnel Inv

Shares in Channel Tunnel Investments, one of the more eccentric companies on the Stock Exchange, yesterday gained 2p to 130p, on news that Mr Henry Moszkowicz has acquired a further 4,000 shares, taking his stake to 90,500 shares or 6.17 per cent.

The company was founded in 1981 to develop a Channel Tunnel but is in no way connected with the Eurotunnel project.

UK COMPANY NEWS

NEI ups interim payment as profits exceed £18m

By Clare Pearson

NORTHERN ENGINEERING Industries yesterday said it would increase its dividend for the first time in five years. The company, which this year emerged from a lengthy process of rationalisation during which it shed 6,000 employees, is lifting the interim dividend modestly to 1.8p (1.65p).

The announcement came at the same time as the power station and materials handling supplier reported a 30 per cent advance in pre-tax profits to £18.5m in the six months to end-June.

Mr Terry Harrison, chairman, said be was "most beartened" by the fact that, unlike previous years, the company's running rate of order intake was exceeding its output. During the first half, order intake at £420m was up 13 per cent.

He added that be believed the first-half improvement in pre-tax margins from 3.7 to 5.7 per cent was sustainable. Turnover was down to £325.4m from £385.4m, reflecting lower major contract completions.

NEI was this month beaten by GEC, its rival on the turbine side, in the bidding for a £90m turbine generator contract for the Fawley coal-fired power station, the first of three new stations planned in the UK.

However, it also recently defeated rival FKI Babcock to obtain the design contract – from which the manufacturing contract follows, subject to planning permission – for two boilers for Fawley, and will tender for similar contracts for the other two stations next month.

Mr Harrison said possible joint ventures with similar international companies were being kept under review following the recent deal through which Combustion Engineering of the US took a 35 per cent stake in NEI's boiler snbsidiary.

On the electrical engineering side, NEI recently strengtbened its links with Mitsubishi Electric with a deal allowing it to manufacture under licence circuit breakers designed by the Japanese company.

The materials handling side was seeing a high level of activity, Mr Harrison said. The design contract for equipment to lift submarines out of the water at Scotland's Faslane dry dock had provided plenty of work during the first half, and the £50m construction contract had come through since the period end.

Tax took £7.4m (£5.7m). Earnings per share rose to 3.73p (2.74p).

● COMMENT

These results provided plenty of encouragement for investors in NEI, whose shares edged up yesterday against the background of a falling market. "Masochistic" is Mr Harrison's word for the power plant business; however, the 1990's are expected to see a reversal in its 20-year decline as old plant needs to be replaced, and as smaller stations proliferate under the impact of electricity privatisation. Since it has completed its rationalisations just as orders pick up, NEI looks qulte well-placed. Nevertheless, it still needs to engage in more joint ventures to avoid one of the bigger international players making a bid for it: hence the deal with Combustion Engineering on the boiler side. A similar deal is needed on the turbine generator side, although profitable replacement orders will provide enough work for this division till the end of next year. NEI should make about £41m pretax this year: the shares, on a prospective p/e of nearly 12, are sustained by the income stream and could enjoy bid speculation as well.

Federated Housing rises 65%

The continuing buoyant housing market belped Federated Housing, residential property developer, record a 65 per cent expansion in pre-tax profits in the first half of the year.

The outcome, £2.82m against £1.71m, was achieved on turnover up from £12.56m to £15.76m. Mr Peter Meyer, chairman, said the average sale price of the group's properties was about £70,000, and despite the steep rise in interest rates in the past two months, he saw no sign of a slackening in demand for mortgages.

The interim dividend is lifted to 2.5p (1.7p), payable from earnings of 18.1p (10.1p) per 5p share.

OFT owns up to error over P&O reference

By Nikki Tait

RED FACES and a good deal of puzzlement developed yesterday morning after a surprise announcement that the $210m (£125m) acquisition by Peninsular & Oriental, shipping and property gronp, of Sitmar Cruises was being referred to the Monopolies and Mergers Commission.

The error was speedily rectified with the Office of Fair Trading apologising for the error. The corrected statement said that the Trade Secretary "has decided not to refer" the deal. The previous statement omitted the "not" and yesterday the OFT said the mistake had come in the telex sent to the Stock Exchange.

The Stock Exchange said that only a handful of deals had taken place between the issue of the two statements and that, after talking to parties involved, it did not believe that it would be necessary to unscramble those trades. The OFT, meanwhile, is considering rephrasing referral statements, so that such an error – which a spokesman could not recall happening in the past – is not repeated.

Southwest Resources

Sonthwest Resources, a USM-quoted oil and gas company, yesterday announced the discovery of a new field in Galveston County, Texas, with total estimated reserves of up to 10m barrels of oil equivalent.

Dominion International, a financial services company, recently redneed its stake in Southwest from 43 per cent to 31 per cent. Southwest shares were unchanged at $17\frac{1}{2}$p yesterday.

EBC rises 43% and calls for £3.4m

EBC Group, USM-quoted housebuilder and property developer, announced a 43 per cent rise in pre-tax profits to £1.35m against £949,000 for the six months to June 30. The group is also calling for about £3.4m in a one-for-three rights issue and intends to apply for a full listing.

The interim dividend is lifted to 3.6p (2.22p adjusted) payable from improved earnings of 12.03p (8.44p) per 50p share.

Looking ahead, Mr David Stoneman, chairman, said the group's prospects for the balance of the year were good. He was particularly encouraged by expectations of further success in housing and development and from the building companies.

He added that the rights issue, of 2.44m new ordinary shares at 150p each, would reduce borrowings and provide capital for expansion.

Ex-Lands falls sharply and cautious on outlook

EX-LANDS, investment holding company, saw its profits fall from £121,000 to £10,100 in the half year to end-June. The directors said generally uncertain conditions and reduced interest and volumes in the market had created difficulties for its share-dealing subsidiary.

They added that if the company was to achieve earnings to cover the 0.9p dividend paid for 1987 conditions would need to become a good deal more profitable in the second half.

It was pointed out that this had not been the case since the beginning of the period and if anything, thare was "an increased air of caution." A dividend payment would be considered in the light of 1988 earnings.

Life Sciences sharply up

LIFE SCIENCES International, scientific instruments maker which changed its name from Phicom in May, has achieved strong growth in sales and profits in the six months to June 30 1988.

The taxable result advanced from £650,000 to £2.5m on turnover up sharply from £7.78m to £19.62m. The directors are raising the interim dividend by 67 per cent to 0.5p (0.3p) on earnings per 10p share of 1.8p (0.7p).

Mr Christopher Bland, chairman, said Forma Scientific had made a very good start since joining the group, Shandon Scientific had performed satisfactorily and IRS sales were encouraging. Whale Scientific and E-C Apparatus, acquired at the end of the period under review, would contribute to second-half results.

OIS cuts losses

After six months of rationalisation and reorganisation OIS Group emerged with pre-tax losses redneed from £186,000 to £45,000 for the first half of 1988. Turnover of this USM-quoted inspection and testing services group rose 16 per cent from £4.89m to £5.68m.

COMPANY NEWS IN BRIEF

CAMBRIAN & GENERAL Securities: Net asset value per ordinary share on July 31 1988 was 142.01p. Capital shares stood at 199.57p.

ENGLISH & SCOTTISH Investors: Net asset value per 25p share stood at 133.9p at July 31 1988 (161.6p at end-July 1987 and 120.6p at January 31 1988). Available income for half year to July 31 £1.34m (£768,000). Basic earnings 1.66p (0.94p) and interim dividend 0.65p (0.55p).

EVERED HOLDINGS has completed its acquisition of Fidler following epproval at an emergency general meeting.

FROST GROUP: Turnover £25.43m (£16.89m) and pre-tax profits £1.44m (£1.01m) for six months to June 30. Interim dividend 4p (3p) payable from earnings per share of 7.8p (5.66p). Chairman expects further progress in second half.

D C GARDNER GROUP: Of the open offer of 1.53m new ordinary shares in the company made on August 1 1988 in connection with the acquisition of Chart Foulks Lynch, valid applications have been received in respect of 528,693 and a further 704,035 have been placed firm.

GOLD & BASE Metal Mine, investment holding company, has reported net assets at the end of the six months to June 30 of 15.49p (18p). Pre-tax profit rose from £31,200 to £44,700. This was achieved on revenue of £116,000 (£60,000). Earnings remained at 0.32p.

LONDON & EDINBURGH Trust subsidiary, 245 Hammersmith Road Investments, has issued £35.5m of 6.625% secured loan notes dne 1995, listed on the Luxembourg exchange.

LONDON AND ST LAWRENCE Investment Company is to pay an interim dividend for the year to the end of August 1988 of 1.56p (1.46p) and a special dividend of 0.6p (nil).

TURRIFF CORPORATION, whose interests include building construction, maintenance services and plant hire, has acquired Freeway Plant Sales Limited, a company engaged in the sale and hire of contractors' plant, for an initial cash consideration of £600,000. A further payment may be payable in May 1992 based on Freeway's average profits in the three years to December 31 1991.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks subdue dollar

CENTRAL BANK intervention gained the upper hand in currency markets yesterday. The US Federal Reserve Board joined several European banks in selling dollars, and this discouraged investors from opening fresh positions.

Nevertheless, the US unit retained a fairly bullish undertone, and sentiment was little affected by a 0.4 p.c. rise in US consumer prices in July - in line with expectations - or a 7.0 p.c. decline in US durable goods orders in July.

However, the dollar closed on a softer note at DM1.9065 from DM1.9190 and Y133.90 compared with Y134.05. Elsewhere it finished at SFr1.6055 from SFr1.6115 and FFr6.4675 from FFr6.5050. On Bank of England figures, the dollar's exchange rate index fell from 100.4 to 100.1.

Sterling finished unchanged on the day, improving from a weaker start, but relinquishing its gains during the afternoon. The pound opened on a quiet note, with investors reluctant to hold sterling positions ahead of the release of UK July trade figures tomorrow. However this pushed sterling down to a low of DM3.1975 against the D-Mark, which many traders saw as an opportunity for the Bank of England to increase interest rates.

This spurred fresh demand for the pound, taking it to the day's highs. But there was no message on rates from the authorities, and the pound subsequently fell away to finish unchanged from its slightly softer opening.

On Bank of England figures, the pound's exchange rate index closed at 76.1, down from a high of 76.3 at lunchtime but unchanged from the opening level. Monday's close was 76.2.

Against the dollar, it rose to $1.6795 from $1.6765, but lost ground against the D-Mark to DM3.2025 from DM3.2175. It was unchanged against the yen at Y224.75 but slipped elsewhere to SFr2.6975 from SFr2.7025 and FFr10.8625 from FFr10.9050.

In Frankfurt the D-Mark recovered against the Japanese yen, opening and closing at Y70.23, up from Y69.85 on Monday. The dollar's weaker trend helped the D-Mark to recover from its record low touched on Monday, and dealers still regarded the Y70.00 level as a significant resistance point for the D-Mark.

News of a higher than expected West German trade surplus in June failed to give the D-Mark any support, although any benefits were probably offset by the Bundesbank's decision to leave its securities repurchase rate unchanged at 4.25 p.c.

The French franc was a little easier against the D-Mark in Paris, as traders still expected West German interest rates to rise. The D-Mark rose to FFr3.3925 from FFr3.3900, and dealers pointed out that, although yesterday's sale and repurchase rate was left unchanged, the Bundesbank still had an opportunity to increase rates at tomorrow's meeting of the central council. This could put further pressure on the French franc as interest differentials widen. However there is unlikely to be any renewed pressure within the EMS, dealers argued, unless the D-Mark recovers strongly against the dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6298	+2.76	+1.84	±1.5344
Danish Krone	7.85212	7.97749	+1.60	-0.12	±1.5404
German D-Mark	2.05853	2.08154	+1.12	-0.60	±1.0981
French Franc	6.90403	7.05621	+2.20	+0.48	±1.3674
Dutch Guilder	2.31943	2.34964	+1.30	-0.42	±1.5012
Irish Punt	0.768411	0.775770	+0.96	-0.76	±1.6684
Italian Lira	1483.58	1541.09	+3.88	+2.83	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug.23	Latest	Previous Close
£ Spot	1.6845-1.6850	1.6855-1.6865
1 month	0.39-0.38pm	0.36-0.35pm
3 months	1.20-1.18pm	1.14-1.12pm
12 months	3.45-3.40pm	3.45-3.35pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Aug.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6785 - 1.6880	1.6790 - 1.6800	0.39-0.36cpm	2.68	1.20-1.16pm	2.81
Canada	2.0650 - 2.0740	2.0655 - 2.0665	0.29-0.19cpm	1.39	0.81-0.70pm	1.46
Netherlands	3.60½ - 3.62½	3.61 - 3.62	1¾-1⅝cpm	5.81	5¼-5⅛pm	5.81
Belgium	66.95 - 67.35	67.05 - 67.15	31-16cpm	4.20	82-63pm	4.32
Denmark	12.23¼ - 12.30	12.26 - 12.27	3¼-2¼orepm	2.87	9½-8½pm	2.94

MONEY MARKETS

Upward pressure

INTEREST RATES had a firmer tone in London. Three-month interbank finished unchanged at 11%-11¼ p.c. after the Bank of England left its money market dealing rate unchanged. Earlier in the day three-month money touched 11⅛-11¼ p.c. as sterling looked vulnerable, and speculation increased about a rise in UK bank base rates.

Talk of higher rates in the US and West Germany, coupled with fears about tomorrow's UK trade figures, left the market uncertain how long the present base rates of 11 p.c. will hold.

The Bank of England initially forecast a money market shortage of £850m, but revised this to £800m at noon.

Assistance of £284m was provided when the authorities bought bills outright before lunch, by way of £168m bank bills in band 3 at 10⅞ p.c.; £26m Treasury bills in band 4 at 10⅞ p.c.; and £90m local authority bills in band 4 at 10⅞ p.c. The Bank of England did not operate in the market during the afternoon.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £327m, with Exchequer transactions absorbing £220m. These outweighed a fall in the note circulation adding £80m to liquidity and bank balances above target of £190m.

The West German Bundesbank central council meets tomorrow after its summer break, amid speculation of a possible rise in the discount or Lombard rates.

Call money rose to 4.95 p.c. from 4.90 p.c. in Frankfurt, despite the offer of liquidity from the Bundesbank, via a 28-day securities repurchase agreement tender, at an unchanged fixed rate of 4.25 p.c.

There was some surprise that the repurchase rate was not increased, and dealers believe the situation is still highly uncertain.

The market will look for guidance on credit policy from the amount of funds provided at the tender, and whether this points to a further tightening of the Bundesbank's monetary stance at tomorrow's council meeting.

Funds will drain from the market today as a DM16.8bn repurchase agreement expires. Tax payments have also tightened credit conditions recently, and repeated intervention by the Bundesbank to support the D-Mark on the foreign exchanges has reduced liquidity in the domestic banking system.

UK clearing bank base lending rate 11 per cent from August 8

FINANCIAL FUTURES

Price trend boosts US bonds

US Treasury bonds finished at the day's high on Liffe, recovering from e weak start, following encouraging economic news.

A rise of 0.4 p.c. in July US consumer prices was generally in line with most expectations, but the market was particularly impressed with news that prices, exclnding food and energy, rose by only 0.3 p.c., following a 0.4 p.c. gain in June.

Fears about inflation and overheating in the US economy were also allayed by a fall of 7 p.c. in July durable goods orders.

September delivery bonds opened at 84-15 on Liffe, and closed at 85-03, compared with 84-24 on Monday.

Sterling based contracts recovered from the day's lows,in the absence of any rise in the Bank of England's money market dealing rate. Sentiment was also helped by the stronger US bond market, but traders continue to fear that any weakness in the pound will result in another increase in UK bank base rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	622	660	0	2
90	422	502	0	8
92	222	313	0	19
94	22	143	0	49
96	0	45	142	151
90	0	10	342	324
100	0	5	542	511

Estimated volume total, Calls 766 Puts 1363
Previous day's open int. Calls 30565 Puts 39095

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
78	647	648	17	48
80	503	516	37	116
82	333	361	103	161
84	216	256	150	256
86	119	201	253	401
88	44	123	414	523
90	23	57	557	657

Estimated volume total, Calls 60 Puts 20
Previous day's open int. Calls 1350 Puts 1000

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
16500	1640	1644	0	4
17000	1140	1165	0	25
17500	640	733	0	93
18000	140	394	0	254
18500	0	175	360	535
19000	0	63	860	923
19500	0	18	1360	1378

Estimated volume total, Calls 3 Puts 0
Previous day's open int. Calls 19 Puts 132

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Govt Securities	5	30.03	30.03	31.57	-0.06 8.68
International Trusts					
Amer Spec Sits	5	61.40	61.40	65.39	-0.29 1.51
European Growth	5	17.65	17.65xd	18.79	-0.12 1.33
International	5	91.99	91.99xd	97.98	-0.84 1.01
Japan	5	142.5	142.5	151.7	-1.1 0.01
Pacific	5	226.5	226.5	241.2	-1.8 0.19
Secs of America	5	176.6	176.6	188.0	-1.4 1.07
W'wide Asset Val	5	27.02	27.02	28.77	-0.26 1.04
Specialist Trusts					
Asset Value	5	318.3	321.3	342.1	-2.0 2.91
Conv & Gilt	5	37.79	38.41xd	40.90	-0.24 6.06
Smaller Co's	5	170.2	170.2xd	181.2	-0.9 2.23
2nd Smaller Co's	5	194.5	194.5	207.1	-0.7 1.90
Recovery	5	100.0	100.0	106.5	-0.8 2.70
Met Min & C'dty	5	106.2	106.2	113.1	-0.8 1.47
O'seas Earnings	5	207.1	209.1	220.5	-1.6 3.17
Technology	5	86.34	86.34	91.95	-0.59 1.40
UK Special Sits	5	256.6	256.6xd	273.2	-2.7 2.65

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	5	£15.54	£15.82	16.70	+0.6 2.61
Progressive Acc	5	£21.81	£22.21	23.44	+0.8 2.61
International Inc	5	£15.92	£15.92xd	16.80	— 1.55
International Acc	5	£20.05	£20.05	21.16	— 1.56
Can & Foreign Inc	5	190.6	190.6	201.2	— 2.38
Can & Foreign Acc	5	212.4	212.4	224.2	— 2.38
Special Sits Inc	5	164.1	164.1	173.2	— 1.98
Special Sits Acc	5	164.1	164.1	173.2	— 1.98

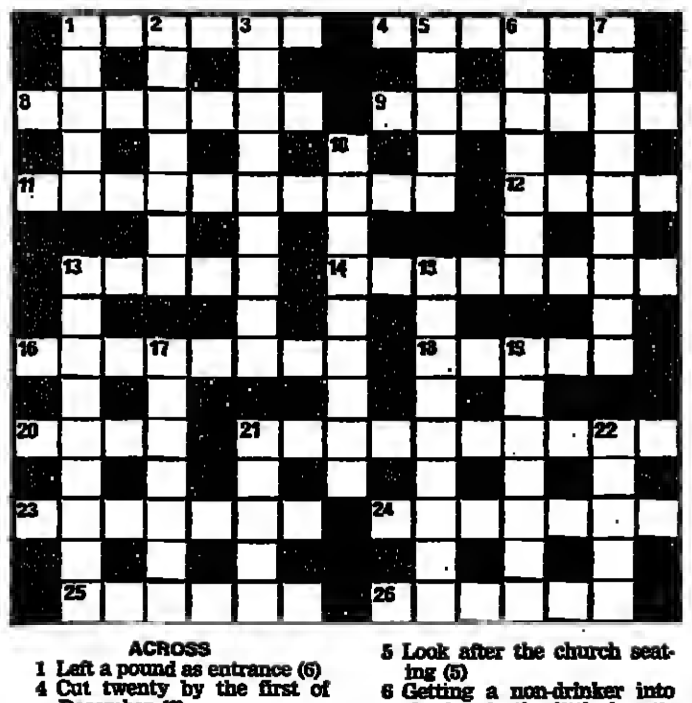
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½	179.4	190.7	202.8	— 1.56
Brewin Dividend	5½	94.25	98.80xd	105.1	— 5.94
Brewin Int Gth Inc	5½	206.1	216.5	230.1	— 0.56

JOTTER PAD

CROSSWORD

No. 6,716 Set by VIXEN



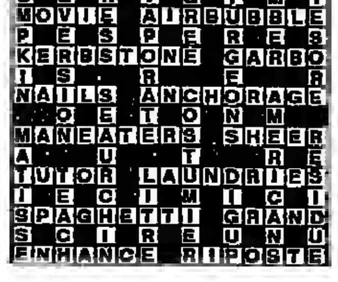
ACROSS

1 Left a pound as entrance (6)
4 Cut twenty by the first of December (6)
8 Substitute for both opaque and see-through fabrics (7)
9 A scholar's pet dog (7)
11 Rest a bit by mistake and she'll certainly mind! (4-6)
12 Indian city gunmen after silver (4)
13 Move left within the party (5)
14 Asking a lot of questions when doing the cooking (8)
16 Speed of the French repair-job (8)
18 Stewed pears surplus to requirements (5)
20 Some tender neatly carved bird (4)
21 Gathering it's the custom (10)
23 The politician may find a quarter are not affected (7)
24 Refuses to work in buffets (7)
25 Dredge the river and shut up! (6)
26 Full of promise as a reformer (6)

DOWN

1 A statue presented by two Greek characters (5)
2 Broadcast a song in a rush (7)
3 The person putting forward constructive suggestions (9)
5 Look after the church seating (5)
6 Getting a non-drinker into the bar is the little beast's end (3-4)
7 "Though trunkless, yet it couldn't forget the —— due to me!" (Gilbert) (9)
10 The theatre worker had agents to make some changes (5-4)
13 Offensive leaders (9)
15 He checks prices not to be altered (9)
17 Titled people continually appearing in the paper (7)
19 Foreign legislators – in general thin grey old men (7)
21 Mean to stop (5)
22 Plain where there's nothing green (5)

Solution to Puzzle No.6,715



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ● – 0001 to 1100 hours; ♦ – 1101 to 1400 hours; ▲ – 1401 to 1700 hours; ◆ – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732 450161

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Equity Dist	5	326.5	332.8	352.2	-3.4	2.97
Equity Acc	5	419.4	427.1	452.0	-4.4	2.97
Fixed Int Dist	5	116.5	118.6	122.9	-0.1	9.09
Fixed Int Acc	5	206.4	210.2	217.8	-0.3	9.09

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	5	96.20	96.20	[illegible]	[illegible]	[illegible]
Do Accum	5	109.25	109.25	[illegible]	[illegible]	[illegible]
TSB Brit Growth	5	54.58	54.58	[illegible]	[illegible]	[illegible]
Do Accum	5	56.35	56.35	[illegible]	[illegible]	[illegible]
TSB European	5	48.76	48.76	51.87	[illegible]	[illegible]
Do Accum	5	50.10	50.10	53.30	[illegible]	[illegible]
TSB Extra Income	5	146.20	147.21	156.59	[illegible]	[illegible]
Do Accum	5	188.71	190.01	202.09	-1.00	[illegible]
TSB Smaller Cos	5	55.07	56.72	60.34	-0.29	[illegible]
Do Accum	5	55.63	57.30	60.9	-0.29	[illegible]
TSB General	5	175.76	175.76	[illegible]	-1.50	[illegible]
Do Accum	5	304.34	304.34	[illegible]	-2.50	[illegible]
TSB Gilt & Fxd Int	3½	47.32	47.32	[illegible]	-0.08	[illegible]
Do Accum	3½	71.44	71.44	[illegible]	-0.11	[illegible]
TSB Income	5	262.18	265.42	[illegible]	-2.00	[illegible]
Do Accum	5	438.23	440.27	[illegible]	-3.30	[illegible]
TSB Pacific	5	209.74	209.74	[illegible]	-1.31	[illegible]
Do Accum	5	218.07	218.07	[illegible]	-1.36	[illegible]
TSB International	5	320.81	320.81	[illegible]	-1.86	[illegible]
Do Accum	5	403.54	403.54	430.75	-2.09	[illegible]
TSB Nat Resources	5	63.25	63.25	67.29	-0.30	[illegible]
Do Accum	5	66.49	66.49	70.73	[illegible]	[illegible]
TSB Slctd Opps	5	81.31	81.31	86.51	[illegible]	[illegible]
Do Accum	5	91.87	91.87	97.75	[illegible]	[illegible]

3i Unit Trust Managers Ltd (1000)F
31 Homer Rd, Solihull, B91 3QA 01-928 3356

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Small Co's	5	50.67	50.67	53.48	—	—

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin. 0296 394000 Dealing [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Eagle	5	60.67	60.67	64.9	[illegible]	[illegible]
Australia	5	8.985	8.990	8.96	[illegible]	[illegible]
Commodity	5	79.85	79.85	[illegible]	[illegible]	[illegible]
Convertible	5	146.5	146.5	[illegible]	[illegible]	[illegible]
Equity	5	150.2	150.2	[illegible]	[illegible]	[illegible]
Euro Spec Sits	5	76.78	76.78	[illegible]	[illegible]	[illegible]
Financial	5	31.12	31.12	33.64	[illegible]	[illegible]
Global Opps Inc	5	54.95	54.95	[illegible]	-0.35	[illegible]

[illegible]

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	55.0	58.4	—	0.00

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Aug 24	39.0	40.5	+0.4	2.27
Euro Expt Aug 24	38.8	40.7	+0.4	2.3
Fixed Int Ex Aug 24	48.5	50.9	-0.7	9.43
Japan Expt Aug 24	53.3	55.7	+0.5	0.55
Managed Ex Aug 18	39.8	42.1	—	4.35
SE Asia Expt Aug 24	38.2	40.1	-0.2	2.22
Sm Cos Expt Aug 24	45.1	47.3	+0.1	2.54
UK Eqty Ex Aug 24	36.6	37.8	—	3.81

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	189.5	199.5	—	—

Phillips & Drew Fnd Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co Fd	812.0	862.0	—	3.50
Do Accum	838.0	890.0	—	3.50
PDFM Int Expt Aug 18	123.2	129.2	—	2.65

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	93.19	94.40	—	3.00

INSURANCES

AA Friendly Society
Investment Mngt. M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Aug 12	—	148.9	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	251.2	264.5	—	—
Equity Ser. 1	115.0	121.1	-0.8	—
Prop. Acc. Ser 2	365.8	389.0	+0.3	—
Equity Ser 2	130.6	137.5	-1.0	—
Selective Acc	287.9	303.1	-1.0	—
Prop. Ser. 4	284.9	299.9	—	—
Equity Ser. 4	133.1	140.2	-0.7	—
Fixed Int. Ser. 4	212.1	223.4	-2.0	—
Indexed Inv. Ser. 4	121.6	128.1	—	—
American Ser. 4	252.7	266.0	-1.4	—

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	+ or −	Yield Gross
Life Assurance Funds				
Wealth Assd	391.6	412.3	—	—
Eb'r Ph. Eq.	347.0	369.3	—	—
Pension Plus Funds				
Phoenix				
UK Equity Acc	170.6	179.5	−1.9	—
International Acc	141.1	148.5	−0.2	—
Property Acc	143.1	150.6	—	—
Fixed Interest Acc	154.9	163.0	−0.3	—
Money Acc	142.9	150.4	—	—
Bldg. Soc Link Acc	139.0	147.1	—	—
Special Mngd. Acc. 0	153.2	161.2	−1.0	—
Phoenix/Framlington				
Intnl. Growth Acc	88.30	92.90	−0.70	—
Am. Smllr. Cos. Acc	86.70	91.20	−0.70	—
Capital Tst. Acc	179.0	188.4	−0.9	—
Japan & Gen Acc	198.5	208.9	−1.3	—
American Turn. Acc	94.80	99.70	—	—
Recovery Tst. Acc	181.0	190.5	−1.7	—
Special Mngd Acc	151.1	109.0	−1.0	—
Phoenix/IET				
International Acc	113.1	140.1	−0.0	—
US & General Acc	85.60	90.10	−1.10	—
Amer Spec Sits Acc	64.60	68.00	−0.90	—
Japan & General Acc	197.3	207.8	−1.2	—
Far East & Gen. Acc	145.2	152.8	−1.5	—
UK Capital Acc	181.0	190.3	−1.7	—
European Acc	141.0	148.4	−0.2	—
Special Mngd. Acc	130.2	137.8	−0.9	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, G. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	266.9	281.0	—	—
Max Pens Inc & Cap Fds	340.9	358.9	—	—
Money Fund	113.7	119.7	—	—
Pens. Mngd Fd (Init)	90.0	94.0	—	—
Pens Mngd Fd (Acc)	104.0	109.5	—	—
Pens FT30 Fd (Init)	127.6	134.4	—	—
Pens FT30 Fd (Acc)	147.4	155.2	—	—
Pens O'seas MgFd(Init)	59.3	62.7	—	—
Pens O'seas MgFd(Acc)	68.8	72.5	—	—
Pens Fxd Int Fd (Init)	107.3	113.0	—	—
Pens Fxd Int Fd (Acc)	123.9	130.5	—	—
Pens Deposit Fd (Init)	101.6	107.0	—	—
Pens Deposit Fd (Acc)	117.4	123.6	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	94.0	100.0	−1.0	—
Building Soc. Fd	163.0	172.0	—	—
Balanced	245.0	258.0	−1.0	—
Deposit	163.0	172.0	—	—
European	125.0	132.0	−1.0	—
GT Managed	152.0	160.0	−1.0	—
Gartmore Mngd	102.0	108.0	−1.0	—
German	89.0	94.0	−1.0	—
Gilt	167.0	176.0	—	—
High Inc	111.0	117.0	—	—
International Equity	155.0	164.0	−1.0	—
Japan	222.0	234.0	—	—
Managed	55.0	58.0	—	—
Property	262.0	276.0	—	—
R. W. Imperial Gold	128.0	135.0	—	—
UK Equity	328.0	346.0	−2.0	—
Pension Funds				
American	130.0	137.0	—	—
Building Soc. Fd	155.0	164.0	—	—
Balanced	189.0	199.0	—	—
Deposit	153.0	162.0	—	—
European	124.0	131.0	—	—
GT Managed	160.0	169.0	—	—
Gartmore Mngd	100.0	106.0	—	—
German	87.0	92.0	—	—
Gilt	141.0	149.0	—	—
International Equity	110.0	125.0	—	—
Japan	130.0	137.0	—	—
Managed	56.0	59.0	—	—
Property	200.0	211.0	—	—
UK Equity	283.0	298.0	—	—

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Balanced Gwth Mngd	514.8	542.5	−2.7	—
Adventurous Mngd	99.0	105.2	+0.2	—
Secure Mngd	98.2	103.5	−0.2	—
Cash Fd	219.2	231.0	+0.0	—
Property Fund	265.3	279.6	+0.0	—
Equity Fund	562.9	593.2	−3.5	—
Fxd Int. Fund	286.1	301.3	−1.3	—
International	247.1	260.4	−1.5	—
High Income	411.1	433.2	−3.2	—
Far East	384.4	405.1	−6.8	—
North American	207.0	218.2	−2.0	—
Special Sits	517.0	544.8	−3.3	—
Technology	223.2	235.2	−1.5	—
Extra Inc Fd	235.7	248.4	−2.1	—
Convertible & Gilt Fd	149.1	157.2	−0.4	—
American Income	107.8	112.8	−0.4	—
[illegible]				

Provident Mutual Life Assc. Assn.
Wilian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Ord	288.4	303.6	−1.9	—
Managed Init	238.1	250.6	−1.6	—
Equity Ord	412.1	433.8	−4.3	—
Equity Init	340.2	358.1	−3.6	—
Index Linked Gilt Ord	122.7	129.2	−0.2	—
Index Linked Gilt Init	103.8	111.4	−0.2	—
Overseas Equity Ord	253.4	266.7	−1.5	—
Overseas Equity Init	209.2	220.2	−1.3	—
Property Ord	168.6	177.5	—	—
Property Init	139.2	146.5	—	—
Fixed Interest Ord	169.5	178.2	−0.4	—
Fixed Interest Init	139.8	147.2	+0.3	—
Deposit Ord	135.3	142.4	—	—
Deposit Init	111.7	117.6	—	—
Pension Funds				
Managed Ord	349.1	367.5	−2.7	—
Managed Init	288.2	303.4	−2.2	—
Equity Ord	519.2	546.5	−6.3	—
Equity Init	428.6	451.2	−5.2	—
Pen Ind Lkd Gilt Ord	132.2	139.2	−0.2	—
Pen Ind Lkd Gilt Init	114.0	120.0	−0.1	—
Overseas Equity Ord	286.6	301.7	−2	—
Overseas Equity Init	236.6	249.1	−1.6	—
Property Ord	196.7	207.1	—	—
Property Init	162.4	170.9	—	—
Fixed Interest Ord	191.7	201.0	−0.4	—
Fixed Interest Init	158.2	166.5	−0.4	—
Deposit Ord	168.7	177.6	—	—
Deposit Init	139.3	146.6	+0.1	—

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed Aug 17	206.3	214.9	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Holborn Series I Life Funds				
Managed	444.6	468.1	−3.4	—
Equity	898.6	945.9	−9.4	—
Fixed Interest	371.5	391.1	−0.9	—
Property	348.4	366.8	−0.1	—
Cash	244.7	257.6	+0.2	—
International	303.2	319.2	−2.2	—
Holborn Series II Life Funds				
Managed	436.4	459.4	−3.4	—
Equity	880.7	927.1	−9.2	—
International	297.7	313.4	−2.1	—
Fixed Intl	362.8	381.9	−0.9	—
Property	340.4	358.4	+0.1	—
Cash	239.4	252.0	+0.1	—
Pacific Basin	173.9	183.1	−1.2	—
North American	118.4	124.7	−1.1	—
European	123.8	130.4	−0.8	—
Holborn Balanced Gwth	102.6	108.0	−0.7	—
Holborn Strategic Gwth	102.2	107.6	−0.6	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	475.0	500.9	−4.1	—
Equity	681.7	717.6	−8.2	—
Global Equity	193.7	203.9	−1.4	—
Fixed Interest	377.8	396.9	−0.6	—
Property	337.7	355.5	−0.1	—
Cash	143.1	150.7	−0.1	—
Index Linked Gilt	169.7	178.7	−0.6	—
Guaranteed	10.93	11.68	+0.18	—
International Money	186.0	195.8	−0.3	—
North American	53.6	56.5	−0.6	—
Japanese	122.9	129.4	−1.3	—
European	67.7	71.3	−0.5	—
Special Situations	101.2	106.6	−0.9	—
Communications	82.6	87.0	−0.8	—
Smaller Companies	100.2	105.3	−0.7	—
International Small Co	109.7	115.5	−1.1	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Aug 17	£129.25	133.01	—	—
Equity Aug 17	£141.03	145.32	—	—
International Aug 17	£20.25	20.91	—	—
Intl Bond Aug 17	£10.44	10.57	—	—
Fixed Int Aug 17	£68.42	69.31	—	—
Index Linked Aug 17	£53.08	53.74	—	—
Property Aug 17	£91.64	96.91	—	—
Cash Aug 17	£18.9780	18.9780	—	—
Pru-Linked Retirement Plan				
Managed Aug 17	323.6	337.1	—	—
Cash Aug 17	179.0	186.5	—	—
Prudential Pensions Investment Account				
Pens Mngd Aug 23	133.9	141.0	−0.4	—
Pens UK Eq Aug 23	248.1	261.2	−1.1	—
Pens Intl Aug 23	146.0	153.7	−0.2	—
Pens Fixed Aug 23	157.2	165.5	−0.1	—
Pens Index Lk Aug 23	133.9	141.0	+0.4	—
Pens Cash Aug 23	117.0	123.2	—	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	83	Redemption 3pc 1986-96	99¼	.....	3.0[illegible]	9.61
[illegible]	99	Treas. 9½pc '88	99	.....	9.[illegible]	11.14
102	100	Treas 11½pc 1989	100½	−	[illegible]	11.13
101	99	Treas 9½pc Cnv 1989	99	−	9.[illegible]	10.94
[illegible]	95	Treas 3pc 1989	96	.....	[illegible]	8.54
102	99	Treas 10½pc 1989	99	−	[illegible]	10.95
[illegible]	99	Exch 10pc 1989	99	−	[illegible]	10.92
[illegible]	100	Exch 11pc 1989	100 xd	−	10.[illegible]	10.94
97	94	Treas 5pc 1986-89	94	−	5.[illegible]	9.73
[illegible]	99	Exch 10¼pcCv '89	99	−	[illegible]	10.46
107	103	Treas 13pc 1990‡‡	103	−	[illegible]	10.42
[illegible]	100	Exch 11pc 1990‡‡	100	−	10.[illegible]	10.44
107	102	Exch. 12½pc 1990	102 xd	−	12.[illegible]	10.57
93	91	Treas. 3pc 1990	91	.....	[illegible]	8.80
99	96	Treas 8¼pc 1987-90‡‡	96	−	8.56	10.49
102	97	Treas. 8pc Cv 1990‡‡	97	−	8.21	9.52
103	98	Treas. 10pcCv 1990	99	−	10.10	10.51
91	88	Exch 2½pc 1990	88	−	2.83	8.34
107	102	Treas 11¾pc 1991	102	−	11.46	10.47
95	91	Funding 5¾pc '87-91‡‡	91	−	6.32	9.73
90	87	Treas. 3pc 1991	87	−	3.45	8.45
105	99	Treas 10pc Cv '91‡‡	99	−	10.03	10.09
107	101	Exch. 11pc 1991	101	−	10.83	10.38
98	93	Treas. 8pc 1991	93	−	8.55	10.34
113	106	Treas 12¾pc 1992‡‡	106	−	11.94	10.31
104	99	Treas 10pc 1992	99	−	10.08	10.25
98	93	Treas. 8pc 1992‡‡	93	−	8.59	10.28
106	100½	Treas 10½pc Cv 1992‡‡	100	−	10.44	10.30
86	83	Treas. 3pc 1992	83	−	3.[illegible]	8.22
112	105	Exch. 12¼pc '92	105 xd	−	[illegible]	10.38
117	110	Exch 13½pc 1992	110 xd	−	[illegible]	10.41
97	92	Treas 8¾pc 1993	92	−	8.[illegible]	10.27
105	99	Treas 10pc 1993‡‡	99	−	[illegible]	10.24
115	108	Treas 12½pc 1993‡‡	108½	−	11.[illegible]	10.24

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93	89	Funding 6pc 1993‡‡	89 xd	−	6.73	8.70
121	113	Treas 13¾pc 1993‡‡	113	−	12.12	10.34
101	92	Treas. 8½pc 1994	92	−	9.17	10.26
44	42	Tr8½pc1994 "A" (30% pd)	42	−	9.16	10.28
125	117	Treas 14½pc 1994‡‡	117 xd	−	12.33	10.25
120	113	Exch 13½pc 1994	113	−	11.93	10.36
105	99	Treas. 10pc Ln. 1994‡‡	99	−	10.07	10.15
116	109	Exch. 12½pc 1994	109½	−	11.42	10.33
101	95	Treas 9pc 1994‡‡	95¼	−	9.45	10.03
114	107	Treas 12pc 1995	107	−	11.13	10.30
83½	78½	Exch 3pc Gas 90-95	82	.....	3.65	6.32
106	100	Exch. 10¼pc 1995	100	−	10.21	10.15
120	112	Treas 12¾pc 1995‡‡	112	−	11.31	10.20
126	118	Treas. 14pc '96	118	−	11.80	10.32
101	95	Treas. 9pc 1992-96‡‡	95 xd	−	9.45	9.91
133	125	Treas 15¼pc 1996‡‡	125	−	12.12	10.29
123	115	Exch 13¼pc 1996‡‡	116	−	11.42	11.20
105	98	Conversion 10pc 1996	99	−	10.08	10.12
124	116	Treas 13¼pc 1997‡‡	117	−	11.32	10.17
108	101½	Exch 10½pc 1997	102	−	10.28	10.11
98	92	Treas 8¾pc 1997‡‡	93 xd	−	9.41	9.94
134	127	Exch 15pc 1997	127	−	11.80	10.34
104	97	Exch. 9¾pc 1998	98	−	9.93	10.04
87	81	Treas 6¾pc 1995-98‡‡	83	−	8.15	9.49
140¼	132	Treas. 15½pc '98‡‡	132½	−	10.70	10.25
118	111	Exch. 12pc 1998	111	−	10.76	10.14
103	96	Treas 9½pc 1999‡‡	97	−	9.72	9.83
120	113	Exch. 12¼pc 1999	113 xd	−	10.79	10.13
109	102	Treas. 10½pc 1999	103	−	10.19	10.02
107	100	Conversion 10¼pc 1999	101	−	10.09	10.00
100	86	Treas. 8¾pc Ln 2000‡‡	91½	−	9.30	9.75
99	93	Conversion 9pc 2000‡‡	94 xd	−	9.50	9.77
126	119	Treas. 13pc 2000	129	−	10.88	10.13
106	99	Treas 10pc 2001	101 xd	−	9.90	9.86
129	122	Treas. 14pc '98-01	122	−	11.44	10.30
104	98	Conversion 9¾pc 2001	99	−	9.79	9.80
118	111	Exch. 12pc '99-02	111	−	10.76	10.16
107	100	Conversion 10pc 2002	101½	−	9.84	9.78
105	98	Treas 9¾pc 2002	100 xd	−	9.73	9.75
99	93	Exch. 9pc 2002	94	−	9.50	9.68
131	123	Treas. 13¾pc 2000-03	124	−	11.06	10.17

Over Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108	100	Treas 10pc 2003	102 xd	−	9.77	9.69
117	109	Treas. 11½pc 2001-04	111 xd	−	10.36	9.94
108	100	Treas. 10pc 2004	103	−	9.71	9.62
59	54	Funding 3½pc '99-04	58	−	6.02	8.28
104	97	Conversion 9½pc 2004	99	−	9.54	9.55
104	97	Conversion 9½pc 2005	99	−	9.52	9.52
113	105	Exch. 10½pc 2005	108 xd	−	9.70	9.51
128	119	Treas. 12½pc 2003-05	121	−	10.30	9.77
92	85	Treas. 8pc 2002-06‡‡	88	−	9.09	9.39
106	99	Conversion 9¾pc 2006	102½	−	9.52	9.46
121	113	Treas. 11¾pc 2003-07	115	−	10.20	9.75
97	89	Treas 8½pc 2007‡‡	93	−	9.14	9.28
137	128	Treas. 13½pc '04-08	130¼ xd	−	10.38	9.72
101	94	Treas. 9pc 2008‡‡	97	−	9.23	9.26
92	85	Treas 8pc 2009	88¾ xd	−	9.02	9.22
101	93	Conv 9pc Ln 2011‡‡	98	−	9.17	9.19
68	62	Treas. 5½pc 2008-12‡‡	66 xd	−	8.33	8.97
89	82	Treas. 7¾pc 2012-15‡‡	86	−	8.99	9.14
130	121	Exch. 12pc '13-'17	126	−	9.47	9.24

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
44	41	Consols 4pc	43	−	9.22	−
39	37	War Loan 3½pc‡‡	38	−	9.06	−
53	48	Conv. 3½pc '61 Aft	52	−	6.63	−
33	30	Treas. 3pc '66 Aft	32	−	9.28	−
28	26	Consols 2½pc	27	−	9.17	−
28	26	Treas. 2½pc	27	−	9.17	−

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
121	117	Treas 2pc IL '90(84.6)	121	−	0.77	2.73
103	99	Do. 2pc '92‡‡(97.8)	102 xd	−	2.30	3.09
96	94	Do. 2 '94 (102.9)	94	−	2.78	3.27
139	127	Do. 2pc '96(67.9)	138½ xd	−	2.97	3.33
114	103	Do 2½pc '01(78.3)	113 xd	−	3.62	3.87
111	101	Do. 2½pc '03(78.8)	111	−	3.69	3.91
114	102½	Do. 2pc '06(69.5)	112	−	3.73	3.91
105	95	Do. 2½pc '09(78.8)	105	−	3.74	3.92
109	99	Do. 2½pc '11(74.6)	109	−	3.75	3.91
91	82	Do. 2½pc '13(89.2)	90	−	3.21	3.87
98	88	Do. 2½pc '16(81.6)	98	−	3.68	3.83
96	87	Do. 2½pc '20(83.0)	95	−	3.65	3.78
81	73	Do. 2½pc '24‡‡(97.7)	80	−	3.62	3.74

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dev Bk 11¼Ln 2010	104	−	10.69	10.63
104	96	Asian Dev Bk 10¼pcLn2009	100	−	10.25	10.25
129	120	Australia 13½pc 2010	125	+	10.78	10.53
112	103	Do. 11¾pcLn2015	108	+	10.47	10.41
110	103	Euro Inv Bk 11pc Ln 2002	105	−	10.43	10.26
105	98	Do. 10¾pc2004	100	−	10.97	10.26
120	112	Int-Am Dev Bk 12½pc 2003	115	−	10.80	10.35
98	91	Do. 9¼pcLn 2015	95	−	10.25	10.28
96½	86	Malysia 10¾pcLn 2009	95¼ xd	.....	11.23	11.28
111	87	Utd. Mexican States 16½pc 2008	110 xd	−	14.94	14.85

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	f7.78
45	33	Do. 6pc 28 Stb. Ass.	45	.....	3	f6.67
45	33	Do 4pc Mixed Ass.	45	.....	2	f4.44
75	63	Hung. '24 Ass	75	.....	2.75	f3.67
140	128	Hydro Quebec 15pc 2011	134	+	15.00	10.83
128	118	Iceland 14½pc Ln 2016	127	−	14.50	11.25
101¼	96½	Ireland 9¾pc '91-96	96½ xd	.....	9.75	10.40

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29¾	22¾	Abbott Laboratories	26 xd	−	$1.20	−	2.6
649p	405p	Allegheny & W 1c	430p	−4	30c	−	4.1
14	862p	Amax $1	12	−	Q20c	−	0.9
31	16¾	Amdahl 5c	25	.....	20c	−	0.5
31	22	Amer. Cyanamid $5	27	−	$1.20	−	2.6
17½	11¾	Amer. Express 60c	16	−	76c	−	2.6
10	668p	Amer. Medical Int. $1	957p	+1	472c	−	4.4
17	15	American T. & T. $1	14	−	$1.20	−	4.9
54	44	Ameritech $1	52	.....	$5.40	−	6.0
27	16	Amfac	27	.....			−
18	15	Anheuser-Busch $1	17	−	60c	−	2.0
875p	360p	BankAmerica $1	837p	−13		−	−
22	16	Bankers N.Y. $1	22	−	$1.86	−	4.9
42	34	Bell Atlantic $1	40	+	$4.08	−	5.9
25	19	BellSouth Corp.	23	−	$2.36	−	6.0
15	850p	Bethlehem Steel $8	12	−		−	−
13	801p	Bio-Rad Labs. Inc. "A"	11	−		−	−
23	15	Bowater Inc.	16 xd		92c	−	3.4
15	11	Browning-Ferris 16.6c	15 xd	−	48c	−	2.1
13	787p	Brunswick 75c	11	+	44c	−	2.2
28	21	CPC Intnl. 25c	28	−	$1.44	−	3.0
17	13	CSX $1	14	−	$1.24	−	4.9
16	11	CalFed Inc $1	15 xd	−	$1.40	−	6.2
16	12	Campbell Soup 15c	16 xd	−	84c	−	3.1
39	31	Caterpillar Inc $1	32		75c	−	1.3
17	11	Chase Manhattan $12½	16 xd	−	$2.16	−	7.6
19	11	Chem. Banking Corpn	18	−	$2.72	−	8.5
15	11	Chrysler $6¼	15 xd	−	$1.00	−	4.5
14	9	Citicorp $1	13 xd	−	$1.48	−	6.4
297p	166p	CityFed Fin. Corp.	184p	−1	4c	−	1.3
27	20	Colgate-Palmolive $1	24 xd	−	$1.48	−	3.5
19	13	Cons Freightways 62½c	18	−	98c	−	3.2
340p	134p	Contl Illinois Corp $1	326p	−7	8c	−	1.4
14	7	Contl Illinois Hldgs $1	7			−	−
406p	117p	Corporate Data Scnce	369p	+4		−	−
510p	300p	Cullinet Sftwr 1c	349p	+8		−	−
22	17	Dana Corp. $1	20	+	$1.52	−	4.3
15	10	Data General	10			−	−
140p	44p	Derma-Lock Med.	95p			−	−
31½	24	Dun & Bradstreet $1	28 xd	−	$1.74	−	3.6
49	39	Eaton Corpn. 50c	43	−	$2.00	−	2.7
18	14	FPL Group 1c	17	−	$2.20	−	7.4
21	10	First Chicago $5	19		$1.50	−	4.6
31	20	Ford Motor $2	27 xd	−1	$2.40	−	5.1
28	20	GATX 62½c	27 xd	+	$1.80	−	3.9
26	20	Gen. Elect. 63c	23	−	$1.40	−	3.5
700p	425p	General Host Corp $1	617p		28c	−	2.7
25	15	Gillette $1	20	−	86c	−	2.5
803p	474p	Gt Am First Svgs Bk $1	623p	+8	60c	−	5.7
19	15	Greyhound $1½	18	−	$1.32	−	4.2
976p	654p	Hasbro Inc 50c	846p	−28	12c	−	0.8
812p	600p	Home Group $1	694p	−31	20c	−	−
42	28	Honeywell $1½	35 xd	−	$2.10	−	3.5
22	15	Hospital Corp Am $1	19	−	72c	−	2.1
19	15	Houston Inds.	17½	+	$2.96	−	9.9
79	55	IBM Corpn $1¼	65 xd	−	$4.40	−	3.9
20	16	IC Industries	20	−	96c	−	2.8
31	23	ITT Corpn. $1	27	+	$1.25	−	2.7
105p	40p	Image Storage/R.Sys.1c	78p			−	−
26	17	Ingersoll-Rand $2	21	+	$1.04	−	2.9
17	815p	Insilco $1	17		$1.00	−	3.4
26	18	Lockheed Crpn. $1	23 xd	−	$1.60	−	4.0
19	11	Lone Star Inds $1	18 xd	+	$1.90	−	5.9
19	15	Louisiana Land 15c	18 xd	+	$1.00	−	3.2
13	860p	Lowe's 50c	11		44c	−	2.3
18	10	Manuf. Hanover $7½	16	−	$3.28	−	11.4
16	11	Merrill Lynch $1	15	−	$1.00	−	3.9
24	19	Moles Inc.	21	+	32c	−	0.9
23	16	Morgan (JP) $2½	20 xd	−	$1.50	−	4.2
40	32	NYNEX $1	37	−	$4.04	−	6.3
20	15	PHH	19	−	$1.12	−	3.5
308p	99p	Pacific Agr.	254p	.....		−	−
10	757p	Pac Gas & Elect $5	978p xd		$1.92	−	11.5
21	16	Pacificorp $3¼	20	−	$2.64	−	7.6
17	13	Pacific Telesis 10c	16		$1.76	−	6.3
17	13	Pall Corp. 25c	15 xd	−	40c	−	1.5
44	34	Pennzoil $3 1/3c	42	+	$2.20	−	3.0
21	11	Premark Intl.	19	+	60c	−	1.8
17	12	Primerica $1	16	−	$1.60	−	5.6
32	21	Quaker Oats $5	31 xd	−	$1.00	−	1.8
30	23	RJR Nabisco Inc.	29		$1.92	−	3.8
26	21	Rep NY Corpn $5	26 xd	−	$1.20	−	2.7
13	9	Rockwell Intl. $1	11 xd	+	72c	−	3.6
24	18	Sara Lee $1 1/3	23	−	$1.20	−	3.0
23	18	Southwestern Bell $1	21	−	$2.48	−	6.7
35	27	Sun Co. Inc. $1	33 xd	+	$3.00	−	5.3
29	22	TRW Inc. 62½c	24 xd	−	$1.60	−	3.9
11	754p	TW Services $5	10	+	20c	−	1.1
28	21	Tenneco $5	27	−	$3.04	−	6.6

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28¾	19⅝	Texaco $6.25	27⅛	.....	♦$3.00	–	6.5
60¼	43¼	Time Inc. $1	55¼	–⅜	$1.00	–	1.1
20⅛	15⅞	Transamerica $1	19⅝	–¼	$1.84	–	5.5
20¼	14½	TRINOVA Corp	14⅝	–⅞	64c	–	2.5
19	15¼	USX $1	15⅞	–½	$1.20	–	4.4
23	17⅝	Utd. Technologies	20⅞	–⅛	$1.60	–	4.5
33½	26¾	US West‖	31⅝	–½	$3.52	–	6.5
21¼	16⅞	Waste Management $1	20½	–⅛	48c	–	1.4
16⅞	12⅞	Whirlpool $1	14⅞	–¼	$1.10	–	4.3
32¾	18¼	♦Woolworth $3½	29⅞	–½	$1.64	–	3.3

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	217p	+6	–	–	–
32p	11p	♦Abbot Energy Corp	13½p	.....	–	–	–
14¼	990p	♦Amer. Barrick Res	10¼	–⅛	–	–	–
10p	3½p	American Lightwave	♦½p	.....	–	–	–
47p	13¼p	♦Armeno	18½p	.....	–	–	–
76p	45p	Augmitto Expln	57½p	.....	–	–	–
13⅞	10⅝	Bk. Montreal ‖	13⅛	.....	$2.00	–	7.4
697p	514p	Bk. Nova Scot. ‖	657p	–2	76c	–	5.6
18¼	13¼	BCE ‖	17¼	+⅛	$2.44	–	6.7
716p	591p	♦Bow Valley‖	630p	.....	♦40c	–	3.1
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

Stock	Price	+ or –	Div Net	Cvr	Yld Gr's	P/E
Publishing Hldgs.5p.	21	......	–	–	–	12.6
Royal Sovereign 10p.	228	–2	9.6	1.9	2.7	21.3
Scott Pickford 10p.	25	......	3.1	0.7	16.5	13.0
Seacon Hldgs.	113	+2	–	–	–	–
Sonic Tape 2½p.	13½	......	–	–	–	17.7
Stalis Hldgs. 5p.	23	......	–	–	–	♦
Swanyard Studios 1p	3¼	+¼	–	–	–	♦
Takare	281	......	b1.0	8.7	0.5	28.9
Theme Holdings	67	......	♦1.1	♦	2.2	♦
Tomorrows Leisure 20p	30	......	–	–	–	♦
Tullow Oil 10p.	20	+1	–	–	–	–
UPL Group 10p.	120	......	L2.41	4.3	2.7	16.3
Usll Group	178	......	3.0	♦	3.7	♦
Video Tape Rec 5p.	120	......	L2.3	2.3	2.6	17.3

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p. γ	71	......
Craig & Rose £1. γ	788	......
Finlay Pkg. 5p. γ	93	+1
Holt (Jos) 25p. γ	£11⅞	......

IRISH

Stock	Price	+ or –
Nat. 9¾% 84/89.	£100¼	......
9pc Cap Ln. 1996.	£99½	......
Fin. 13% 97/02.	£119	......
Arnotts. γ	360	–5
Carrol Inds. γ	153	......
Grafton Grp. γ	120	......
Hall (R. & H.).	160	......
Heiton Hldgs. γ	54	+1
Irish Ropes. γ	163xd	–2
Unidare. γ	480	–10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	0
BTR	22
Barclays	35
Beecham	42
Blue Circle	30
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	11
Brit. Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday August 23 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Aug 22 Index No.	Fri Aug 19 Index No.	Thu Aug 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	803.24	-0.6	10.10	3.97	12.27	17.16	807.69	811.42	806.76	947.72
2	Building Materials (29)	1021.69	-0.4	11.14	4.15	11.02	21.41	1026.09	1031.61	1028.72	1194.98
3	Contracting, Construction (37)	1611.30	—	10.31	3.35	12.66	27.59	1618.84	1612.91	1606.18	1787.79
4	Electricals (12)	2152.34	-0.6	8.64	4.65	14.34	49.65	2166.30	2174.41	2159.28	2443.90
5	Electronics (31)	1743.90	-1.0	9.92	3.46	12.95	48.30	1760.77	1767.13	1761.94	2024.44
6	Mechanical Engineering (56)	422.88	-0.8	9.78	4.15	12.69	9.23	426.46	428.21	424.64	511.23
8	Metals and Metal Forming (7)	486.41	-1.1	9.85	3.92	12.55	7.95	491.90	493.75	484.62	550.43
9	Motors (14)	281.57	-0.6	11.98	4.67	9.62	6.62	283.31	284.59	281.39	383.32
10	Other Industrial Materials (23)	1313.89	—	8.98	4.25	13.31	28.49	1314.20	1325.41	1317.22	1689.19
21	CONSUMER GROUP (186)	1082.83	-0.9	9.05	3.66	13.96	19.26	1092.46	1099.04	1093.85	1305.26
22	Brewers and Distillers (21)	1116.64	-0.5	10.46	3.65	12.05	20.84	1121.99	1131.92	1132.33	1165.96
25	Food Manufacturing (21)	965.69	-1.2	8.97	3.83	14.26	17.95	977.85	982.71	973.78	1019.07
26	Food Retailing (16)	1949.37	-0.9	8.88	3.42	14.86	38.49	1967.80	1978.75	1970.77	2439.13
27	Health and Household (12)	1814.39	-0.8	6.83	2.70	16.90	10.01	1829.32	1838.57	1826.68	2509.85
29	Leisure (30)	1358.78	-0.8	8.39	3.70	15.24	28.32	1369.27	1378.22	1375.33	1373.71
31	Packaging & Paper (17)	526.38	-0.7	9.34	3.87	13.73	9.98	530.04	531.64	526.50	687.45
32	Publishing & Printing (18)	3531.98	-0.5	8.08	4.33	15.53	73.53	3548.11	3565.17	3535.40	4405.45
34	Stores (34)	806.96	-1.1	10.28	4.11	12.79	15.08	816.26	822.16	818.22	1063.23
35	Textiles (17)	584.01	-1.3	11.84	4.66	9.92	12.65	591.56	592.70	593.81	818.74
40	OTHER GROUPS (93)	887.52	-0.6	11.22	4.44	10.89	19.92	893.07	897.40	893.37	1123.21
41	Agencies (19)	1087.20	-0.5	8.35	2.51	15.14	18.11	1092.57	1099.92	1096.03	1695.77
42	Chemicals (21)	1040.17	-0.6	12.28	4.88	9.77	35.79	1046.79	1052.11	1050.37	1443.10
43	Conglomerates (13)	1212.54	-0.7	10.52	4.46	10.97	22.91	1221.11	1227.43	1214.89	1468.35
45	Shipping and Transport (12)	1937.37	-0.6	11.13	4.64	11.98	34.38	1948.59	1958.38	1944.18	2257.76
47	Telephone Networks (2)	942.82	-0.8	11.78	4.72	11.01	20.38	950.22	954.99	953.42	1062.07
48	Miscellaneous (26)	1200.08	-0.4	11.36	4.30	10.86	24.64	1205.06	1208.68	1203.19	1626.73
49	INDUSTRIAL GROUP (488)	969.56	-0.7	9.92	3.96	12.54	19.41	976.60	981.81	976.96	1177.47
51	Oil & Gas (12)	1780.13	-0.8	10.61	6.07	12.10	64.62	1793.75	1803.63	1792.69	2165.03
59	500 SHARE INDEX (500)	1038.41	-0.7	10.82	4.25	12.47	23.20	1046.01	1051.61	1046.26	1261.33
61	FINANCIAL GROUP (122)	691.50	-0.8	-	5.05	-	18.46	697.31	704.03	702.02	808.32
62	Banks (8)	657.37	-1.3	21.78	6.64	6.16	25.83	666.23	671.65	665.54	820.74
65	Insurance (Life) (8)	1037.69	-0.7	-	4.84	-	24.97	1044.60	1055.95	1063.90	1077.42
66	Insurance (Composite) (7)	538.82	-0.5	-	5.73	-	15.67	541.62	543.58	541.98	587.26
67	Insurance (Brokers) (7)	976.24	-0.4	9.86	6.52	13.10	31.74	980.60	984.20	983.69	1260.79
68	Merchant Banks (11)	354.18	-0.7	-	4.05	-	7.08	356.51	359.55	360.51	499.62
69	Property (51)	1197.60	-0.7	5.30	2.71	24.16	15.18	1206.08	1225.89	1222.48	1240.88
70	Other Financial (30)	375.48	-0.5	10.48	5.19	11.95	9.54	377.36	380.09	379.81	558.51
71	Investment Trusts (78)	900.73	-0.5	-	3.11	-	13.49	985.25	910.18	998.42	1130.34
81	Mining Finance (2)	529.16	-0.7	9.05	3.55	12.49	8.12	533.15	536.39	522.35	633.85
91	Overseas Traders (8)	1179.59	-0.4	9.76	4.74	12.04	35.31	1184.53	1190.17	1175.81	1167.32
99	ALL-SHARE INDEX (710)	948.85	-0.7	-	4.33	-	21.56	955.85	961.62	956.70	1144.71

	Index No.	Day's Change	Day's High	Day's Low	Aug 22	Aug 19	Aug 18	Aug 17	Aug 16	Year ago
FT-SE 100 SHARE INDEX ‡	1817.9	-14.4	1821.3	1813.2	1832.3	1844.3	1838.9	1838.9	1825.3	2248.1

FIXED INTEREST

	PRICE INDICES	Tue Aug 23	Day's change %	Mon Aug 22	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.27	-0.12	119.74	0.32	7.89
2	5-15 years	135.27	-0.20	135.55	-	9.17
3	Over 15 years	146.89	-0.21	147.21	-	8.78
4	Irredeemables	166.78	-0.14	167.02	-	7.30
5	All stocks	132.86	-0.18	133.21	0.11	8.72
	Index-Linked					
6	5 years	127.03	-0.11	127.17	-	1.81
7	Over 5 years	121.16	-0.07	121.24	-	2.43
8	All stocks	121.47	-0.07	121.55	-	2.37
9	Debentures & Loans	117.54	-0.46	118.08	-	7.11
10	Preference	91.85	-0.16	91.99	-	3.61

	AVERAGE GROSS REDEMPTION YIELDS		Tue Aug 23	Mon Aug 22	Year ago (approx.)
	British Government				
1	Low	5 years	9.84	9.80	9.65
2	Coupons	15 years	9.49	9.45	9.91
3		25 years	9.16	9.13	9.91
4	Medium	5 years	18.28	18.22	10.49
5	Coupons	15 years	9.70	9.67	10.21
6		25 years	9.40	9.37	9.97
7	High	5 years	10.38	10.32	10.58
8	Coupons	15 years	9.86	9.83	18.37
9		25 years	9.42	9.40	10.00
10	Irredeemables†		9.77	9.73	9.93
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.00	2.95	3.16
12	Inflation rate 5%	Over 5 yrs.	3.83	3.82	4.05
13	Inflation rate 10%	5 yrs.	1.90	1.84	3.04
14	Inflation rate 10%	Over 5 yrs.	3.65	3.64	4.03
15	Debs &	5 years	10.96	11.03	11.57
16	Loans	15 years	10.95	10.92	11.50
17		25 years	10.94	10.81	11.43
18	Preference†		9.85	9.83	10.86

‡Opening Index 1820.8; 10 am 1820.5; 11 am 1821.0; Noon 1813.6; 1 pm 1814.2; 2 pm 1816.6; 3 pm 1815.8; 3.30 pm 1815.8; 4 pm 1818.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	108	5
Corporations, Dominion and Foreign Bonds	3	16	33
Industrials	175	676	744
Financial and Properties	61	280	314
Oils	10	46	51
Plantations	1	4	8
Mines	41	43	110
Others	39	118	113
Totals	330	1,291	1,378

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	-	250	235	Palmerston Hldgs	235		g7.5	1.3	4.3	17.9
‡	F.P.	-	88	77	RIT Capital Partners £1	77	-1	-	-	-	-
$140	F.P.	27/7	161	145	‡Select Shop 5p	145	-1	Q3.15	2.2	2.9	18.9
140	F.P.	5/8	141	120	Stockfort Group 20p	128	-2	R3.9	3.3	4.1	8.3
$125	F.P.	19/8	133	125	Savills 5p	128	-1	L3.0	2.5	3.1	14.1
‡	F.P.	-	143	115	Seafield	124					
-	F.P.	-	68	61	Tamaris 10p	66	-2	u2.0	0.4	3.9	-
-	F.P.	-	21	14	Waverley Mining Warrants	21					

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	104p	102p	Attwoods (Fin) 8½pc Gtd Rd Cv Pf 5p	102p	
101.09	F.P.	-	102p	101½p	Brent Chemicals Int. 9pc Cm Rd Pf	101½p	-⅛
-	F.P.	12/8	521p	306p	‡City Gate Ests 3¾pc Cm Cv Prf £1	521p	+2
100p	F.P.	-	106p	99p	Dares Estates 7.75pc Cnv Cm Rd Prf	99p	-2
‡	F.P.	16/9	109p	106p	Hampson Inds 6.5pc Cv Cm Rd Pf	108p	-1
65	F.P.	12/8	65¼	65	Housing Fin. 7pc. Deb. 2009	65¼	
$101.2	F.P.	-	101⅛	100⅛	Lon & Edin Tst 8⅞ 1st Cm Rd Pf 2013	100⅛	-⅛
100p	Nil	20/9	5pm	¾pm	NMC Group (Net) Cn Cm Rd Pf 10p	1pm	
-	F.P.	-	100	99⅞	N'wide Ang. 11⅜pc 7.8.89	99⅞	
-	F.P.	-	100	100	Do. 11⅜pc 29.8.89	100	
100p	Nil	-	20pm	15pm	Pleasurama 7.75pc Cv Cm Rd Pf	16pm	
$100p	F.P.	-	115p	110p	Prestwick Hldgs 7¾pc Cv Rd Pf £1	112p	
‡	F.P.	-	86½	79½	RIT Capital Ptnrs 2¼pc Cv Uns Ln 2000	80½	+1
100p	F.P.	-	106p	98p	Sommer Int'l. 7½pc Cv Rd Prf	98p	
100	F.P.	-	104p	100p	Tarmaris 8½pc Cv. Rd. Pf. 2003	104p	+1
100p	Nil	-	107pm	103pm	TVS Enter. 7.4p Cv Cm Rd Prf 2008	104pm	-1
‡	F.P.	-	109p	105p	Wagon Ind'l. Hldgs. 7¼pc Cv Prg Pf	108p	
‡	Nil	21/9	102p	98½p	Waterglade Intl. 7.75% Cv Cm Rd Pf	99p	
$100p	F.P.	-	96p	95p	York Trust Grp. Rd. Cm. Cv. Pf. 20p	96p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
37.5	Nil	-	27pm	20pm	Amber Day Hldgs. 2½p	20pm	-1
190	Nil	28/9	13pm	4pm	Browning Group 25p	4pm	
18	Nil	21/9	3pm	2pm	Energy Capital 1p	2pm	-½
205	Nil	-	41pm	34pm	Fisons	34pm	-6
230	Nil	-	25pm	1½pm	Highland Participants 25p	1½pm	-6½
175	Nil	-	83pm	70pm	Pleasurama 5p	70pm	-2
30	Nil	-	21pm	16pm	Winton Square	16pm	
-	Nil	-	10pm	6pm	Wilshaw 5p	6pm	-1

a Accumulated dividend. [illegible]

TRADITIONAL OPTIONS

- First Dealings Aug 22
- Last Dealings Sep 29
- Last Declarations Nov 24
- For settlement Dec 5

For rate indications see end of London Share Service

Stocks favoured for the call included **Marley, Norfolk Capital, London International, Standard Chartered, Dunlon Group, Eagle Trust, Stormgard, J. Jarvis, Britannia Arrow, C.H. Bailey, Bullers, Rea Bros. and Citygate.** A put was arranged in **Bristol Channel Ship**, while a double option was transacted in **Sears.**

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*418)	390	40	48	56	5	11	14
	420	19	28	40	14	24	27
	460	6	13	22	45	50	52
Brit. Airways (*157)	140	20	24	27	2	4½	8
	160	8	12	13	8	14	17
	180	1	4	-	24	28	-
Brit. & Comm. (*234)	220	23	27	32	5	8	10
	240	10	16	22	14	17	22
	260	3	9	13	30	33	35
B.P. (*248)	240	16	23	26	3½	7	13
	260	5	11	14	14	16	24
	280	1	5	7½	33	33	39
Bass (*775)	750	47	57	70	10	23	28
	800	18	30	43	36	47	30
	850	5	14	-	77	87	-
Cable & Wire (*378)	330	55	65	72	2	7	12
	360	32	43	52	8	15	23
	390	14	23	33	25	32	38
Cons. Gold (*1003)	950	85	120	145	32	47	57
	1000	58	95	115	60	70	88
	1100	27	60	77	130	140	145
Courtaulds (*336)	300	43	-	-	1	-	-
	330	21	30	37	12	16	20
	360	7	18	23	32	35	36
Com. Union (*358)	330	38	50	-	5	10	-
	360	18	30	37	16	22	30
	390	5	18	23	56	39	47
G.E.C. (*159)	140	23	28	32	1	2½	4
	160	7½	13	17	5½	8	11
	180	1½	4½	8	22	24	25
G.K.N. (*326)	300	34	44	50	3½	5	11
	330	14	24	29	10	15	22
	360	3	10	17	35	38	44
Grand Met. (*507)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*1006)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*271)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities (*552)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spencer (*146)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Britoil (*500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rolls-Royce (*137)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STC (*281)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury (*215)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*1022)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*232)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House (*314)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
T.S.B. (*105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Biscuits (*282)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ultramar (*265)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth (*274)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
LASMO (*416)	390	42	62	-	15	25	-
	420	23½	43	57	25	40	47
	460	8½	27	40	58	63	70
P. & O. (*585)	550	47	65	75	11	18	28
	600	20	37	47	37	44	52
	650	6	-	-	77	-	-
Pilkington (*209)	180	35	36	-	2	4	-
	200	18	24	28	5	11	12
	220	8	13	18	17	20	22
Plessey (*165)	140	29	33	37	1	3	5
	160	12	17½	22	5½	7½	13
	180	5	9½	14	18	23	25
Prudential (*160)	160	8	13	16	8	10	13
	170	3	-	-	13	-	-
Racal (*316)	280	46	-	-	5	-	-
	300	32	42	53	8	11	16
	330	14	26	37	23	27	30
R.T.Z. (*445)	390	67	80	90	5	18	14
	420	43	60	70	12	20	27
	460	21	37	47	30	40	47
Vaal Reefs (*576)	70	10	14	16	3	6½	8½
	80	4½	8½	10	9	15	15

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Amstrad (*219)	200	24	31	38	3½	7	10
	220	10	19	26	10	14	15
Barclays (*403)	390	-	-	37	-	-	24
	395	15	25	-	14	22	-
	420	-	-	20	-	-	43
Beecham (*473)	460	25	36	50	7	16	21
	500	6	16	29	30	38	42
BTR (*277)	260	21	26	33	3	7½	8½
	280	7½	15	22	13	16	19
Blue Circle (*456)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons (*177)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*955)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawker Sidd. (*514)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hillsdown (*284)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*142)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*246)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk (*409)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*144)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI (*652)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte (*247)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wellcome (*501)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*229)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*182)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RHM (*412)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls Apr	Puts Nov	Puts Feb	Puts Apr
Ladbroke (*447)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aero (*509)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAA (*270)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds (*468)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom (*236)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes (*378)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness (*315)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coats Vi. 9⅛% 2005 (*100)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 12% 1995 (*108)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index (*1816)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 23 Total Contracts 23,755 Calls 15,154 Puts 8,601
FT-SE Index Calls 2241 Puts 2187
*Underlying security price.

LONDON STOCK EXCHANGE

Fresh slide leaves FT-SE down 14.4

London markets were given another thorough shaking yesterday as the latest data on the economy - the second quarter gross domestic product (GDP) figure - was seen as further evidence of overheating in the UK economy. Sentiment was additionally unsettled by the emergence of sustained selling pressure in the gilt-edged market.

The FT-SE index of 100 leading shares opened on a weak note, down some 11.5 points, and moved progressively lower during the morning trading session. However, after showing a loss of 19 points at worst, the index rallied to close a net 14.4 down at 1,817.9.

Account Dealing Dates		
First Dealings:		
Aug 15	Sep 5	Sep 16
Option Declarations:		
Sep 1	Sep 15	Sep 29
Last Dealings:		
Sep 2	Sep 16	Sep 30
Account Day:		
Sep 12	Sep 26	Oct 10

"New time dealings may take place from 9.00 am two business days earlier.

The opening decline in equities came in the wake of the latest fall in the Dow Jones Average and the weakness on the Toyko market.

Selling pressure in London was said to be thin - "never any more than persistent and irritating during early trading", according to dealers - but gathered pace after the announcement of the second quarter gross domestic product (GDP) figure. The 1.3 per cent rise in the GDP number was interpreted by one senior economist with a leading UK securities house as indicating "unsustainably rapid growth". Most City economists had been expecting GDP growth of around 1 per cent.

The GDP announcement and an erratic performance by sterling triggered a wave of market speculation that another UK interest rate rise could be on the cards. The market response was immediate. At least two major UK securities houses were keen sellers of an equity market which was also said to have been undermined by sustained selling of futures instruments.

Traders and analysts stressed, however, that the recent weakness in equities has taken place against a background of appallingly low levels of business. "These really are dog-days; many fund managers refuse to read anything significant into the latest numbers, and they prefer to wait and see the impact of the last rate rise and the hike in mortgage rates before taking any strategic decisions". SEAQ turnover yesterday came out at 319.2m shares, well up on Monday's dismally low figure. However, fewer than half a dozen of the FT-SE 100 constituents closed higher on the day.

The gilt-edged market, however, was looking decidedly uncomfortable - "labouring" as one dealer put it. There were ominous signs in the form of heavier trading, with one US house reporting, "plenty of selling from European sources who are only now beginning to display extreme nervousness about sterling with the July trade figures looming up".

The opinion in the market was that the trade deficit for July could come out on the bad side of £1bn. Short-dated gilts were down around ⅛ while at the longer end of the market falls extended to ⅜.

FINANCIAL TIMES STOCK INDICES

	Aug 23	Aug 22	Aug 19	Aug 18	Aug 17	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.64	87.82	87.96	87.78	87.76	85.29	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.18	97.56	97.61	97.59	97.72	92.29	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1466.1	1477.2	1484.5	1476.2	1475.3	1768.5	1514.7 (8/8)	1349.0 (9/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	194.6	194.8	193.3	187.8	188.1	424.2	312.5 (7/1)	187.8 (18/8)	734.7 (15/2/83)	43.5 (26/10/71)

	Aug 23	Aug 22	Aug 19	Aug 18	Aug 17	Year Ago
Ord. Di. Yield	4.68	4.62	4.60	4.62	4.61	3.26
Earning Yld %(full)	11.75	11.66	11.60	11.66	11.66	8.01
P/E Ratio(Net)(☆)	10.36	10.44	10.49	10.44	10.44	15.34
SEAQ Bargains(5pm)	20,554	20,977	20,955	19,823	18,954	33,613
Equity Turnover(£m)†	-	626.77	644.62	786.68	753.50	886.51
Equity Bargains†	-	21,775	21,997	21,133	21,029	45,993
Shares Traded (mil)†	-	234.6	328.8	312.3	257.0	391.5

Ordinary Share index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1468.5	1468.6	1468.3	1462.5	1463.0	1464.8	1464.2	1466.1

DAY'S HIGH 1468.6 DAY'S LOW 1462.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆ Nil 10.27 † Excluding intra-market business

● S.E. ACTIVITY

Indices	Aug 19	Aug 22
Gilt Edged Bargains	96.1	103.8
Equity Bargains	141.1	142.5
Equity Value	1266.8	1707.6
5-Day average		
Gilt Edged Bargains	104.1	105.3
Equity Bargains	140.8	144.4
Equity Value	1419.5	1417.6

● London Report and latest Share Index: Tel. 0898 123001

Doubts on leisure offer

AN ATTEMPT by Pleasurama, the leisure group, to steal the thunder of bidder Mecca Leisure back-fired yesterday when its half-year figures failed to inspire. The shares closed a penny down at 246p as volume slowed to a trickle. Pleasurama was apparently trying to upstage Mecca whose delayed revised bid terms and formal offer document were thought imminent.

Pleasurama's profits of £22.6m were 38 per cent better than last year, with all divisions showing growth. Mr Roy Owens, leisure analyst at broker Kitcat & Aitken, is forecasting £63m for the whole year, putting Pleasurama on a p/e ratio of just over 15. After meeting with the company yesterday, he noted, "We will need Mecca's revised terms before we can work out any implied earnings dilution for Mecca. It is hard to see how the bid for Pleasurama can succeed."

Mecca shares closed down 2 at 198p.

Analysts were agreed that a credible counter-bidder might yet appear, but as one commented, "on the basis of its figures and growth prospects, Pleasurama deserves to remain independent for the moment."

China Clays higher

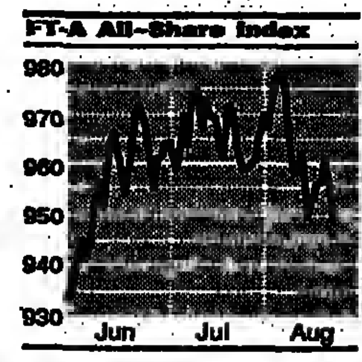
The disclosure that Brierley Investments has taken a 4.24 per cent stake in English China Clays (ECC) drove the shares higher as the market assessed the longer term implications of the move.

The shares stood out against the generally drab background with a rise of 18 to 477p, after touching 485p at best. Trading volume at 4.6m shares was well above average for the stock.

Analysts and dealers consider ECC as now being "in play" as a takeover target, but expressed doubts that the New Zealand group would make a full offer. Brierley is well known for taking strategic stakes in major companies as an investment. RTZ and Hanson head the short list of possible predators for ECC.

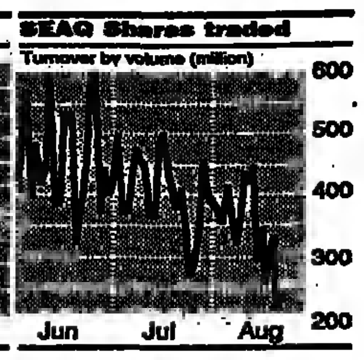
Bryant Group, in which ECC was left holding a stake of just over 29 per cent after an abortive bid for the company, edged up 4 to 142p. One suggestion was that EEC may return with a fresh offer for Bryant in order to stave off possible predators. BZW, the securities house, thinks there is considerable upside potential in ECC shares, which optimistically it values at 750p, depending on the group's clay reserves.

FT-A All-Share Index



SEAQ Shares traded

Turnover by volume (million)



Taylor Woodrow up

Interim figures some 60 per cent higher at £34m pre-tax compared with £21.2m from Taylor Woodrow came at the top end of analysts' estimates and were well received by the market. In another day of low volumes some 1.6m Taylor Woodrow shares changed hands with the price resisting the general downward trend to close near the day's best of 563p, up 9.

BZW, the securities house, has upgraded its full year pre-tax profits forecast for the group from £92.5m to around £100m. SBCI Savory Milln is a little more conservative with its estimate of £95m.

BZW believes that any significant share price improvement in the short-term is largely dependent on interest by P & O, which recently purchased a stake of 8.5 per cent in Taylor Woodrow, giving rise to speculation about the possibility of an outright bid.

International stocks were redeemed by a minor rally in afternoon trading, but still passed a miserable day as dealers worried about interest rates. Fisons hogged the limelight, falling 7 to 238p as 4.8m shares changed hands. Dealers said a block of 1.5m shares had been offered early on - a flurry of trading saw 3.5m shares go through the system in a 10 minute period before 9.00am, with the 1.5m-block sold at well below the prevailing price. The auction of the ADR block equivalent of the rights issue took place in the US; the nil-paid shares fell to a 34p premium, down 6, in London.

ICI announced the likely sale of its Silicones business to French chemical company, Rhone Poulenc. In lacklustre trading of less than 600,000 shares, ICI fell 3 to 1007p, after bottoming out at 1002p earlier in the day. Glaxo retreated 4 to 966p.

Hanson traded quietly before today's figures. Dealers said it was depressed slightly by the wider market. Warburg Securities is forecasting £590m for the first 9 months.

Although oil shares followed the market trend to close with small losses, there were signs of selective interest by the major securities houses. With shares in British Gas due for listing in Tokyo next month, the stock continued to trade heavily on the Inter Dealer Broker screens as marketmakers prepared themselves for what they hope will prove an increased demand from Far Eastern investors.

Kleinwort Grieveson, the London securities house, has posted a strongly bullish circular on Gas to its Japanese clients, describing it as "one of the cheapest stocks in the London market", and drawing attention to its property and upstream investments. However, the shares slipped 3¼ to 180p.

North Sea stocks showed little reaction to reports that they will shortly be forced to spend heavily on safety factors. The industry is unlikely to be perturbed by the suggestion of an overall cost of £300m on new safety valves, according to one analyst.

With the recent rise in London money market rates putting pressure on earnings of the banks, there were minor losses all round the banking sector. Turnover was thin, however, as Lloyds (300p), Barclays (405p) and NatWest (538p) all gave up a few pence.

A sharper fall in Standard Chartered (511p) continued to indicate underlying worries about the promised rights issue, which has yet to hit the market.

Brewery stocks were reasonably steady in a nervous market as investors respected their defensive qualities. Irish Distillers ran 9 higher to 335p despite the statement from Pernod-Ricard indicating that it has not purchased a stake in the beleaguered Irish group and has no intention of playing the role of white knight.

Whitbread "B" shares gained another 25 to 675p, after 700p, amid a continuing shortage of stock. By contrast, Marland fell back 15 to 648p as interest faded.

The English China Clay developments directed attention towards De La Rue, where Mr. Robert Maxwell holds a stake, and amid a flurry of activity the shares rose 15 to 491p.

Howden Group eased 5 to 119p as Weir Group and J. Rothschild Holdings reduced their joint holding to 7.83 per cent, but A. Cohen hardened to 1050p on news that GMF (Investments) had increased its stake to just over 7 per cent.

Nervousness over the pressures for higher interest rates as a means of curbing consumer spending again lay heavily over the stores sector. W.H. Smith, at 267p, shaded by a few pence despite recommendation as a "long term buy" from Morgan Stanley. Only 141,000 shares in the book retailing group changed hands, an indication of the absence of genuine investment interest in the market.

Among the High Street majors, Marks and Spencer drifted down to 165½p. Recent support for GUS "A" shares slackened, leaving the shares at 1082p. Sears, as 2.7m shares traded, held at around 140p with dealers still seeking the identity of the recent buyer.

There was little action in the electronics sector - Hoare Govett, the UK securities house, warned clients against Siren calls for a general re-rating which it considers unjustified.

Ferranti slipped 4¼ to 93¼p as the market continued to mull over last Friday's major presentation in Edinburgh. At 163p, Plessey gave back some of the ground made on Monday. County NatWest's sector analyst, Mr John Tysoe, pointed out that Plessey is teamed with American Texas Instruments for a share of the US Nato Identification System, a programme worth a potential $5bn.

Despite the generally favourable view of the marketplace, Racal (316p) followed the general trend to close easier. Traders ascribed this to profit-taking and remained bullish of the shares.

Evans Halshaw, the multi-franchised motor distributor based in Birmingam, produced mid-term profits well up to expectations and on target for full year estimates ranging to £10m. Mr Keith Williams, sector researcher at BZW, is an advocate of that figure and recently advised clients, "the shares offer considerable upside potential once the rights issue has been digested by the market". They edged forward again yesterday to the year's highest of 348p. Jaguar were thinly traded again and eased to 271p.

Holmes & Marchant fell 13 to 247p after announcing its £13.6m offer for Catalyst Communications. Catalyst shares resumed trading to close at 58p compared with last week's suspension price of 52p.

Leading Properties put up a more resilient performance. Although the tone overall remained dull, business eventually became more evenly balanced and Land Securities, down to 548p at one stage, picked up to finish only 3 off on the day at 552p. British Land settled only a shade lower at 330p but Greycoat encountered further selling pressure and fell 8 to 411p. Kentish Property, which has arranged a £24m revolving loan facility with Security Pacific Merchant Bank to finance its residential development in London's East End, eased 4 to 141p.

The two Tobacco majors gave ground with BAT Industries closing marginally softer at 428p ahead of today's deadline on the conditional offer of $72 per share for Farmers Group of the US. Rothmans International encountered occasional sales of a profit-taking nature and lost 4 to 436p.

Courtaulds went the way of most Alpha stocks, losing 6 to 336p, while Dawson International eased to 213p after BZW shaved its forecast of current year profits. The new figure of £52.5m is still above most other estimates and particularly Hoare Govett's £48m. Dawson has sold Animal Fibres (Bradford) to Mr Tom Ross, the present managing director, and Mr Mike Adams. Animal Fibres' merchant-like business falls outside the mainstream of Dawson's operations and its disposal is a continuation of the group's policy of focusing resources more sharply on its core activities. The consideration represents less than 1 per cent of the group's net assets.

Miscellaneous financial issues reporting six-month profit statements suffered contrasting fortunes. Templeton, Galbraith & Hansberger, the US-based fund management group, revealed earnings down on the previous year, but above market expectations and the shares held their ground. The news elicited comment that the group and Mercury Asset Management (MAM) were the two quoted concerns with the highest quality of earnings, and best ability to withstand troubled markets. MAM shares subsequently rose 10 to 340p.

Ex-land's interim results were decidedly less favourable. A warning about the dividend payment if the adverse trading conditions continue, which seems likely, saw the shares dip 11 to 36p. First-half revenue was down from £91,400 to only £7,300. Frost Group, the petroleum products retailer to financial services group, made scant reply to increased half-yearly figures plus an optimistic view of prospects for the remainder of the year.

A slight improvement in turnover in the Traded Options market showed some 15,154 calls and 8,601 puts transacted, giving an aggregate of 23,755 contracts. There was a sharp improvement in business in the FT-SE index with total turnover of 4,428 comprising 2,241 calls and 2,187 puts. Trust House Forte included a majority of puts - 1,200 - and only 835 calls. There were 1,630 calls and 30 puts in BP while Sears showed 1,675 calls and 69 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	859	153	-1	Cons. Gold	320	£16	-¼	Land Securities	2,300	552	-3	Rothmans "B"	501	436	-4
Abbey Life	306	315	-4	Cookson	369	253	-6	Laporte	135	410	-6	Ryl Bank Scotland	118	355	-3
Allied-Lyons	555	408	-1	Courtaulds	505	336	-6	Legal & General	505	316	-4	Royal Insurance	372	395	-3
Amstrad	955	219	-1	Dalgety	806	338	-4	Lloyds Bank	1,700	300	-8	STC	633	261	-2½
Argyll Group	725	382	-2	Dee Corporation	2,490	172	-4	LASMO	493	416	-3	Saatchi & Saatchi	138	363	-3
Assoc. Brit. Foods	556	306	-4	Dixons	1,100	177	-2	Lucas	2,100	248		Sainsbury	369	215	-1½
BAA	366	270	-2	Eng. China Clays	4,600	477	+18	Lucas	130	547	-4	Scot & Newcastle	1,500	357½	-1½
[illegible]				[illegible]				[illegible]				[illegible]			

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (36).

BUILDINGS (4) Jennings, Newarthill, Travis & Arnold, Watts Blake, STORES (3) OAKS Simpson 'A', Great Universal, Liberty, ELECTRICALS (5) Fujitsu, Harland Simon, Hoskyns, Pilco Hldgs. 'A', Wayne Kerr, ENGINEERING (1) Ransome (C.S.).

INDUSTRIALS (6) Campbell & Armstrong, De La Rue, Elders IXL, Eng. China Clays, Hornby, Warner Howard, INSURANCE (3) American Gen. Corp., Lincoln Nat., Lloyd Thompson, LEISURE (2) Barr WAT, Saga Group, MOTORS (2) Evans Halshaw, Jacks (Wm.), NEWSPAPERS (1) Euromoney Pbs., PAPERS (3) FKB, More O'Ferrall, Usher Walker, PROPERTY (1) Brooklmount, SHIPPING (1) Turnbull Scott, TRUSTS (3) Argo Inv. Clayton Robard, OILS (1) Global Nat. Res., PLANTATIONS (1) Harrisons Mly. PL, MINES (2) CRA, Emperor Mines.

NEW LOWS (58).

BRITISH FUNDS (17) BANKS (2) First Nat. Fin., FNFC 6.3pc Cv. Rd. Pf., Werburg, BUILDINGS (2) Redland Cap. 7¼pc, Ward Hldgs., STORES (4) Mallett, Smith (W.H.) A. Vivat, Wickes, ELECTRICALS (2) Rodime, Ross, ENGINEERING (1) TACE FOODS (1) Daniels (S.), INDUSTRIALS (6) Bear Brand Wrnts., Feedex Agric., J.S. Pathology, Kleen-E-Ze, London Int'l., Thomson T-Line, NEWSPAPERS (1) Portsmouth & Sund., PAPERS (3) Brunning Grp., Saatchi 6.3pc Cv. Pf., Serif Cowells, PROPERTY (4) Herring Son & Daw, Mountleigh, Do. 5¼pc Pf., Slough Est. 8pc Bd. 2003, TEXTILES (1) Heggus (J.), TRUSTS (8) Arealgate 5pc Prf., Child Health Wrnts., Welsh Indl., Ex Lands, Govett Am. Endeavour, Kaluzi, Treswood, Nat. Home Ln. 7½pc Cv. Pf., OILS (1) Hunting P.S., MINES (2) McFinley Red Lake, Thorco Res.

APPOINTMENTS

Taylor Woodrow's three managing directors

TAYLOR WOODROW has appointed three joint managing directors.

Mr Peter Hedges was made a director in November 1986. He joined Taylor Woodrow Property Company in 1966, and became managing director in 1977, his present post. He is also a director of Taylor Woodrow Developments, president of Taylor Woodrow Property Company of America Inc., and chairman of Taylow Woodrow Property Holdings Pty of Australia.

Mr Walter Hogbin joined the main board in January 1984. He is chairman and managing director of Taylor Woodrow International. He joined the group in 1961.

Mr Tony Palmer was appointed to the main board in 1984, and has been a joint managing director of Taylor Woodrow Construction since November 1986. He also serves as a director of Taymech, chairman of Taylor Woodrow Management Contracting, and a non-executive director of St Katharine-by-the-Tower.

HENRY BARRETT GROUP has appointed Mr James Anderson (above) as managing director of its materials handling division.

Mr Philip Hawthorne (above) has become finance and planning director of GOLA LAMB. He was a management consultant with Price Waterhouse.

Top posts at National Mutual

■ Mr Walter P. Jackson, who has been with NATIONAL MUTUAL LIFE ASSURANCE SOCIETY, Hitchen, Hertfordshire, since 1958, has been appointed actuary and deputy general manager. He is also on the board of several subsidiaries. Mr John Miller, head of the legal department, who has been with the Society for 25 years, has been appointed secretary. He is also company secretary of National Mutual Home Loans, and other subsidiaries. Mr Jeremy Bishop has been appointed investment manager with responsibility for securities and stockmarket investments. He previously held the posts of Far Eastern fundmanager and fixed interest manager. Mr Paul Downey has been appointed deputy actuary.

■ Mr Trevor Davies has been appointed a director of GNOME PHOTOGRAPHIC PRODUCTS to head the new leisure division. He was a main board director of the Thomas Cook Group. The company is changing its name to Noble Raredon.

■ Mr Blaise Hardman has been appointed a director of MURRAY INCOME TRUST.

■ Mr D.R. Payne has been appointed financial director of WARDLE STOREYS, succeeding Mr E.V. Thompson who has resigned.

■ Mr Glyn Moser has been appointed managing director of HOLLAND & BARRETT, Byfleet, Surrey, a specialist health products retail chain owned by Booker. He was previously managing director of Carrefour, and since 1984 sales operations director of Currys, part of the Dixons group.

■ Ms Corinne Merton has joined CHRISTIAN DAVIES, Hertford, as a director. She was a director of Kirby Professional.

■ Mr Leslie Bishop has been appointed a director of SHANDWICK EUROPE. He founded the Leslie Bishop Group, which became part of the Shandwick Group in 1986.

■ Mr Alan Crowe has been appointed director and general manager of CHARBONNEL ET WALKER, Tunbridge Wells, a wholly-owned subsidiary of Barker & Dobson Group. He was founder and managing director of Cromwell's Chocolatiers.

■ Mr Harry Cowan, formerly operations director of AEtna International, has been appointed non-executive director of GROUP ALPHA, computer specialist. He also joins the board of Pugh Carmichael.

Shell forecasts a bleak future for oil prices

By Steven Butler

NOMINAL OIL prices are unlikely to rise higher than current depressed levels until well into the next decade, according to Mr John Jennings, a group managing director of Royal Dutch/Shell.

The forecast, made yesterday at the Offshore Northern Seas conference in Stavanger, Norway, was regarded as the most bearish yet delivered by the international oil group on prospects for oil prices until the end of the century.

Oil analysts said they could not recall any leading oil company painting such a stark picture of the future. Many in the industry have been expecting substantially higher prices well before the middle of the next decade.

However, cheap oil helps to contain inflationary pressures and would benefit oil-importing countries.

In money-of-the-day terms, *oil prices would continue to fluctuate in a range between $10 and $20 a barrel, implying a decline in real oil prices.*

Mr Jennings said that even this assumed a modicum of unity and discipline by the Organisation of Petroleum Exporting Countries.

He warned that recent acquisition and exploration activity in the industry appeared to reflect an unwarranted optimism about the strength of oil prices.

Shell now believed that world demand for oil was *unlikely to grow significantly* during the rest of the century.

Mr Jennings said economic growth in the developed world was now unrelated to growth in oil consumption, while investments aimed at increasing energy efficiency were accelerating.

Although demand was picking up in developing countries, particularly for transportation fuels, it was unlikely that a worldwide recession could be indefinitely postponed, thus allowing little scope for sustained growth in demand.

Oil production, however, was likely to continue at today's robust levels.

Mr Jennings said the high levels of investment in oil production now being made in non-communist countries which were not members of the Opec meant output was unlikely to decline at least until the end of the next decade. Non-Opec production has grown rapidly in the past 10 years, to about 27m barrels a day.

Mr Jennings said such factors put Opec into a difficult *position and postponed the day* when it would control enough of the world market to dictate prices and do away with its quota system, which produced strains among its members.

He said: "The ceasefire between Iran and Iraq... may improve prospects for Opec *cohesion but seems more likely* to add to world supply rather than diminish it."

He added that recent moves by Opec members – including Saudi Arabia, Kuwait and Venezuela – to acquire refining and marketing capacity in oil-importing countries would *add to the tendency for weak prices.*

He said the oil industry would have to cope with the difficult price environment by continued technical innovation.

Aluminium capacity forecast to rise

By Our Commodities Staff

THE International Primary Aluminium Institute expects that by June 1991 non-communist world output capacity for aluminium and alumina will rise by 740,000 tonnes and 1.71m tonnes respectively.

Its estimates suggest annual primary aluminium output capacity will reach 14.41m tonnes, up from 13.67m tonnes at the end of last June, mainly reflecting rises in Latin America and Asia.

In the period rises in Latin America and Oceania are predicted to lift alumina capacity from 32.97m tonnes to 34.68m tonnes.

Alumina output rose to 7.258m tonnes in this second quarter, from 7.110m, compared with 7.082m tonnes in the second quarter of last year.

In this second quarter there was a net flow of 12,000 tonnes of aluminium from communist to non-communist countries.

Exports to communist countries totalled 2,000 tonnes, against imports of 14,000 tonnes, bringing total movements so far this year to 7,000 tonnes and 20,000 tonnes.

Brazilian 'gold-rush' drives output up 24% to record level

By John Barham in Sao Paulo

ECONOMIC DISARRAY is fuelling something of a gold-rush in Brazil as savers battle for protection against runaway inflation and political uncertainty.

The country's gold output rose by 24 per cent last year to a record 84 tonnes, says a report issued by Consolidated Gold Fields and Ourinvest, a leading Sao Paulo gold dealer.

Mr Ricardo Eichenwald, a partner in Ourinvest, said: "Demand for gold in Brazil has always been strong and has always increased. What happened last year was that the trend suddenly picked up."

Mr Peter Rich, a gold analyst, forecast that Brazil could become the world's second-largest supplier by the turn of the century as output fell in other countries.

However, Ourinvest's report said economic instability and the exhaustion of dozens of producing regions made detailed forecasting hazardous.

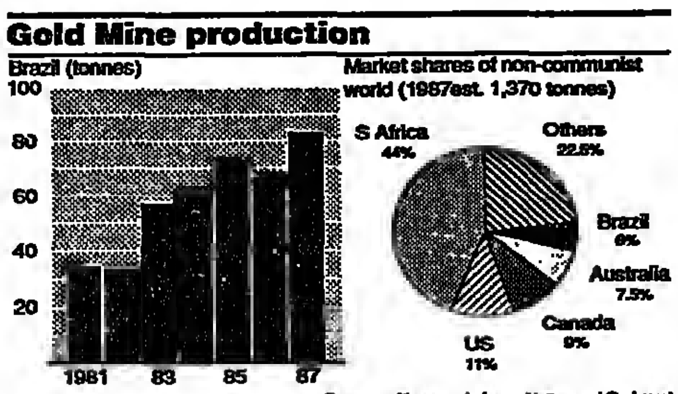
A frenzied search for a hedge against inflation, now running at 20 per cent a month, has powered Brazilian demand for gold. Ourinvest says gold investments doubled last year, to 41 tonnes.

The report said multinational companies, which have to make regular currency remittances, have bought the most gold. Last year they raised their holdings to 23 tonnes, up 248 per cent from 1986.

The Central Bank also resumed aggressive buying after the country suspended interest payments on its $121bn (£72bn) foreign debt.

It increased its gold holdings last year to 22 tonnes, from nine tonnes in the previous year. However, its gold reserves were still well below the 38 tonnes it built up in 1983.

Consolidated Gold Fields says the bank sold a substantial portion of its gold reserves at the year's end. The bank would not confirm the sales but operators suspect it sold to profit from unusually high prices at the end of last year.



Sources: Shearson Lehman Hutton and Ourinvest

Widespread smuggling means output figures are speculative at best. Ourinvest says half Brazil's 84-tonne output went unreported last year.

The country's 1m gold prospectors are the main source of smuggled gold. They produce 70 per cent of Brazil's gold and claim they produced 96 tonnes last year, a figure Mr Eichenwald dismissed as hopelessly inflated.

However, brokers said they had noticed a fall in smuggling as local prices rose above the international market.

● Outokumpu, Finland's state mining company, will mina gold from its Saattopora deposit, Lapland, from next January or February, Reuter reports from Helsinki.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,100-2,150 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.95-6.05 (5.90-6.00).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.30-7.50 (7.50-7.70), sticks 7.30-7.50 (7.50-7.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.85-7.10 (6.85-7.05).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 315-325 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.42-3.50 (3.40-3.50).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.65-9.75 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 51-59 (51-58).

VANADIUM: European free market, min. 98 per cent, VO, cif, 5.10-5.60 (same).

URANIUM: Nnexco exchange value, $ per lb, UO, 14.75 (same).

Hopes rise for Australian coal

Chris Sherwell on the load borne by a troubled industry

AN AIR of nervous anticipation, not to say hope, has appeared in the troubled Australian coal industry recently, and the next few weeks should determine whether it is justified.

Most keenly awaited is a decision from the Coal Industry Tribunal. The tribunal has been trying to arbitrate a difficult, costly dispute between the mining companies and unions on more flexible working practices, in particular on ending the five-day working-week and lengthy Christmas shutdowns.

Also to be announced is the outcome of protracted talks on steaming-coal contracts with Japanese utilities. This market represents about a third of all Australia's steaming-coal exports, and hopes are high for a jump in prices after a long period of weakness.

Then there is the Government's formation of a coal marketing and technology council to advise it on export issues. The move, announced last week, countered persistent union calls for a national coal authority but left the Miners Federation unimpressed.

Further, changes are under way in the corporate structure of the industry, with some companies leaving coal altogether and others seeing chances to move in or expand their interests.

The industry is certainly in need of good news. Since the end of 1986, 20 mines have closed, 17 of them underground in New South Wales. A total 3,500 jobs have gone, more than 11 per cent of the total in the whole country.

Industrial relations have hit an appallingly low point. Working-days lost in the coalmining industry are running at more than 40 times the national average, after a national strike last year and another two this winter.

The gloom is in sharp contrast to notable facts about Australian coal. The country is easily the world's largest exporter, with more than 30 per cent of world trade last year. Last year no fewer than 101m tonnes of 139m tonnes of output were exported.

Coal is Australia's second-biggest export after wool, earning about A$5.5bn (£2.7bn) a year and making a vital contribution to cutting the country's chronic current-account deficit.

Australian productivity, moreover, as measured by output per manshift, is actually four or five times greater than in the highly-protected mining industries of Japan, West Germany and Britain. To Australian miners it is ridiculous that their mines are closing.

That said, the country cannot afford the damage to its reputation for delivery caused by strikes and stoppages – especially when, as in recent years, it is tight market conditions which have contributed to the industry's plight.

The industry has now accumulated losses running into hundreds of millions of dollars. The low price of coal, which has suffered because of oversupply and the plunge in oil prices, is only one reason.

Australia's rising costs and high inflation rate compared with those of competitors have also eroded its competitive position. Even the benefits conferred by the weak Australian dollar in 1985 and 1986 have been erased by the currency's strength this year.

It is the combination of these factors which is forcing the industry to undergo restructuring. *The companies* have tackled the problem in two areas. They want:

● Big reform of outdated work practices by the mine unions.

● Cuts in freight, royalty and other charges levied by federal and state governments.

The tribunal's findings are *therefore critical. It is certain* to order changes in work practices. However, the mining companies worry that an attempt to arbitrate two positions through compromise will not be enough.

The issues are sharpest in the underground mines of New South Wales. They, having grown unprofitable by mining through conventional methods, converted rapidly to so-called longwall mining, that is mechanised excavation using the longwall machine, in a change similar in impact to containerisation of ports.

Yet, because of union resistance, the new equipment is only being used for about 42 per cent of available time.

The companies now want individual miners to work nine hours a day, six days a week, and the mines themselves to be operating seven days a week, 52 weeks a year.

From their point of view, anything less than a nine-hour shift will not be worthwhile. Even an extension of rostering arrangements already in place in open-caste mines would also be too costly.

The Miners Federation leadership, already so bitter it is talking of breaking its long-standing ties with the Labor Party, is just as adamantly refusing such changes. The unanswered question is whether it can carry the rank and file.

The outcome in New South Wales is also important for Queensland, even though most of the mines there are open-caste and operate on a different basis.

Those mines also want new working practices to help them cope with the difficult market. In time, they, too, will be driven underground. There is only one longwall mine in the state but there will be three next year and more later.

However, such changes in work practices will go only part of the way towards helping the companies. The companies also want alterations to the system of government charges.

For example, in New South Wales the freighting of coal subsidises cheap rail fares enjoyed by Sydney's commuters. The companies want freight charges cut and changes in the way royalties are charged.

The overall aim is to cut coal's costs by about A$10 a tonne, enabling surviving Australian companies to reduce debt and compete even more strongly against big producers like South Africa and, in future, against cheap suppliers like China and Indonesia.

As for the changes in the industry's corporate structure, these have been going on in parallel with the other developments.

Thus, CSR, one of Australia's biggest industrial companies, as part of its own restructuring sold out of coal, mainly to Shell Australia and Esso Australia, and out of resources generally. ACI, taken over by BTR Nylex, sold its coal operations to Arco of the US.

Recently, Santos, the Adelaide oil company, took a stake in QCT Resources, the Queensland coal group.

Further, earlier this month Howard Smith, an industrial company with a 50 per cent holding in Coal and Allied Industries, became the subject of a bid from Industrial Equity, New Zealand entrepreneur Sir Ron Brierley's Australian group. Howard Smith is thought to control about a quarter of coal output in New South Wales.

Generally the turnover of Australian coal assets appears to be cutting the number of medium-sized companies, leaving larger ones and smaller ones.

However, the changes are only partly the predictable response to prospects for changes at home and an upturn in the export market. They also reflect years of exhaustion from battling for survival. The next few weeks will show whether the long-awaited turn round has finally arrived.

Currency 'havoc' for NZ wool industry

GOVERNMENT POLICIES leading to high interest rates and an overvalued currency had wreaked havoc on New Zealand's wool industry, Mr Pat Morrison, chairman of the New Zealand Wool Board, said yesterday, Reuter reports from Wellington.

He said: "High interest rates saw exporters minimise their stock holdings, while the unpredictable New Zealand dollar has made forward selling virtually impossible. This has driven spinners up the wall and out of New Zealand wools."

Mr Morrison was speaking to the annual meeting of the meat and wool boards' electoral committee.

He said said the industry needed a decline in the New Zealand dollar, now at about 63.80 US cents, to 20 per cent below its post-float peak of 72.45 cents.

However, he said he saw no early fall of the currency, because of the Government's asset-sales programme.

Wool export value rose to NZ$1.85bn (£706m) in 1987-88 (July-June) from NZ$1.82bn in 1986-87, allowing wool to remain New Zealand's second biggest export, Mr Morrison said.

Production was at its highest level since 1980-81, although the number of sheep fell 4.8 per cent from the previous year to 64m head. However, the board expected a marginal fall in output this season.

The average wool price last season was 604 cents a kilogram (clean).

Mr Morrison said manufacturers had been driven out of export markets and skilled workers had lost their jobs.

Manufactured wool exports fell to NZ$94.4m in 1987-88, from NZ$114.9m in the previous year, the Wool Board's figures showed.

Mr Morrison said the Wool Board bid on 31 per cent of stock at auctions last season, as part of its price support programme, and bought 11 per cent, or 173,270 bales.

Board stocks stood at 93,395 bales at the season's end, up from 62,995 at the end of the previous season. The holding represented about 4 per cent of the total clip.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices on the London Metal Exchange climbed to the highest level for eight weeks yesterday as chart-inspired speculative buying was backed up by news that Indonesia had halted all aluminium exports pending contract talks with Japan. The cash high grade price rose $180 to $2,920 a tonne, while the three months position closed $90 higher at $2,765. Zinc was firm early in the day, continuing its upward run, but ran into profit taking towards the end of the afternoon. Nevertheless the cash LME quotation closed £5 up at £803 a tonne. Coffees recent rally ran out of steam, however, with the November futures position ending £18 down at £1,038 a tonne. The market had fallen in line with New York's overnight trend, but only traded sideways yesterday afternoon when New York opened stronger.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.20-3.25q	-0.215
Brent Blend	$14.85-4.90y	-0.275
W.T.I. (1 pm est)	$15.65-5.70q	-0.28

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	+1
Gas Oil	$130-132	-1
Heavy Fuel Oil	$69-71	
Naphtha	$137-139	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$432.75	+0.50
Silver (per troy oz)♣	675c	+4
Platinum (per troy oz)	$542	+5.6
Palladium (per troy oz)	$124	+0.5
Aluminium (free market)	$2885	+170
Copper (US Producer)	106½-108c	+2.5
Lead (US Producer)	38c	
Nickel (free market)	635c	-5
Tin (European free market)	£4425	-15
Tin (Kuala Lumpur market)	19.58r	+0.04
Tin (New York)	344.5c	
Zinc (Euro. Prod. Price)	$1275	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	114.84p	+0.11*
Sheep (dead weight)†	169.85p	+5.44*
Pigs (live weight)†	67.59p	+0.85*
London daily sugar (raw)	$275s	+1
London daily sugar (white)	$261s	+2
Tate and Lyle export price	£273	+1
Barley (English feed)	£102	+1.25
Maize (US No. 3 yellow)	£137.5x	
Wheat (US Dark Northern)	£120.25x	-1.0
Rubber (spot)♥	72.50p	-0.50
Rubber (Sep)♥	78.50p	-0.50
Rubber (Oct)♥	79.00p	-0.25
Rubber (KL RSS No 1 Sep)	340.0m	-1.0
Coconut oil (Philippines)§	$525w	-20
Palm Oil (Malaysian)§	$420y	-7.5
Copra (Philippines)§	$410	
Soyabeans (US)	$204	-5.5
Cotton "A" Index	55.9c	-0.5
Wooltops (64s Super)	647p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. q-Oct. w-Sep/Oct. z-Aug/Sep. s-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	899	890	899	882
Dec	870	872	875	863
Mar	858	859	863	852
May	868	868	871	856
Jul	880	883	885	873
Sep	889	898	896	887
Dec	929	938	935	926

Turnover: 3470 (3429) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 22: 1083.81 (1090.64) :10 day average for Aug 23: 1121.55 (1134.05)

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1023	1040	1031	1010
Nov	1038	1056	1045	1024
Jan	1032	1052	1038	1020
Mar	1016	1028	1022	1010
May	1025	1030	1020	1015
Jly	1020	1030	1020	1010

Turnover: 4612 (3890) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Aug 22:Comp. daily 111.22 (110.60); . 15 day average 105.88 (105.51).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	239.20	237.20	243.00	236.00
Dec	238.00	235.00	230.00	
Mar	227.00	224.40	230.80	224.20
May	222.00	219.00	219.00	

White	Close	Previous	High/Low	
Oct	259.00	256.00	260.00	254.00
Dec	255.00	254.00	254.80	253.00
Mar	255.00	255.00	257.00	251.00
May	257.00	255.00	255.00	255.00
Aug	259.00	255.00	258.00	257.00

Turnover: Raw 2319 (3294) lots of 50 tonnes. White 1331 (343).
Paris- White (FFr per tonne): Oct 1680, Dec 1655, Mar 1655, May 1665, Aug 1665 Oct 1870

GAS OIL $/tonne

	Close	Previous	High/Low	
Sep	131.50	133.25	133.50	131.25
Oct	134.50	135.75	135.75	134.00
Nov	136.50	138.00	137.00	135.75
Dec	137.75	139.50	139.00	137.50
Jan	136.00	137.00	137.25	136.00
Feb	135.25	134.75	135.25	

Turnover 2538 (2502) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	107.00	106.95	157.00	106.70
Nov	109.65	109.60	109.65	109.40
Jan	112.75	112.70	112.75	112.60
Mar	115.25	115.25	115.25	115.00
May	118.00	118.25	118.25	118.00

Barley	Close	Previous	High/Low	
Sep	101.05	101.25	101.15	101.00
Nov	104.55	104.70	104.65	104.40
Jan	107.85	107.90	107.95	107.70
Mar	110.40	110.20	110.40	110.20
May	112.40	112.20	112.40	112.30

Turnover: Wheat 239 (237) . Barley 148 (144)
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,850 tonne
Cash	2905-35	2735-45		2880-900		-
3 months	2755-75	2670-80		2740-60	2755-75	8,846 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 17,225 tonne
Cash	1720-5	1603-7	1680	1680-5		
3 months	1584-5	1525-5.5	1590/1543	1580-2	1581-2	43,743 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,175 tonne
Cash	1356.5-8.5	1349-50	1368/1367	1368-8		
3 months	1343-4	1337-8	1359/1344	1353-4	1347-8	63,492 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1300-5	1300-5		1310-5		
3 months	1300-5	1295-300		1310-5		31 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	670-3	666-9		670-3		
3 months	684-7	683-6		684-7	683-6	518 lots
Lead (£ per tonne)						Ring turnover 5,875 tonne
Cash	354.5-6.5	351-3	354	354-6		-
3 months	360-0.5	357-8	361/358	360-0.5	360-1	11,512 lots
Nickel ($ per tonne)						Ring turnover 792 tonne
Cash	14100-200	14200-400		14150-200		
3 months	13500-50	13600-700	13600/13450	13400-50	13500-50	5,992 lots
Zinc (£ per tonne)						Ring turnover 17,800 tonne
Cash	802-4	797-9	807	807-8		
3 months	795-6	788-8.5	806/795	800-1	795-7	22,282 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	65.0	66.0	65.5	63.0
Feb	77.5	80.0		
Apr	96.4	99.5	99.8	95.5
May	105.0	109.5	109.0	105.5

Turnover 504 (460) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	169.00	168.50	170.00	165.00
Dec	176.10	176.50	176.10	

Turnover 433 (224) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Aug	1256	1255	1256	1252
Sep	1379	1390	1385	1379
Oct	1458	1463	1460	1455
Jan	1495	1495	1495	1484
Apr	1520	1525	1520	1515
BFI	1248	1244		

Turnover 120 (182)

JUTE
Sept/Oct 1988 c and f Dundee BTC $485, BWC $475, STD $420, BWD $415, c and f Antwerp BTC $455,BWC $445,SWD $395, STD $405.

COTTON
Liverpool- Spot and shipment sales for the week ended August 19 amounted to 58 tonnes against 197 tonnes in the previous week. Trading was very low during the week with only small orders made in west African growths.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	432½-433	257-257½
Opening	433¼-433¾	257½-258
Morning fix	432.70	257.024
Afternoon fix	432.60	256.432
Day's high	433½-434	
Day's low	432-432½	

Coins	$ price	£ equivalent
Mapleleaf	445-450	265-268
Britannia	445-450	265-268
US Eagle	445-450	265-268
Angel	444-449	264½-267½
Krugerrand	431-434	256-258
New Sov.	102-103	51-61¼
Old Sov.	102-103½	61-62
Noble Plat	558.25-584.7	332-335.85

Silver fix	p/fine oz	US cts equiv
Spot	400.10	673.65
3 months	411.85	688.20
6 months	423.55	704.30
12 months	445.30	734.45

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2650		205		67
2800		122		132
2950		67		224
Aluminium (99.5%)	**Calls**		**Puts**	
2700	199		5	
2850	80		37	
3000	19		125	
Copper (Grade A)	**Calls**		**Puts**	
2150	148	187	19	83
2250	81	134	51	128
2350	34	93	104	186

US MARKETS

THE SOYABEAN COMPLEX began the day with two-sided trading, however, a combination of factors led to commission house long-liquidation and local selling which, in the absence of serious commercial buying, saw the markets close sharply lower on the day, reports Drexel Burnham Lambert. Expected deliveries of soyabean meal coupled with figures showing large stocks prompted crush selling in the products which accentuated the decline. Maize found early strength against higher cash values and export demand, but failed to hold levels as the soyabeans fell. Wheat continued to *derivesupport tenders and export* business. Cattle underwent a short-covering rally after early pressure, hogs were featureless while bellies rallied following a cold storage report showing a draw-down of stocks. Copper rallied early on follow-through buying but finished the day lower as profittaking emerged.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	432.2	433.6	434.0	432.5
Sep	433.5	434.9	0	0
Oct	436.0	437.4	437.5	436.5
Dec	441.5	443.2	443.5	441.5
Feb	448.0	449.4	449.5	448.3
Apr	454.0	455.4	0	0
Jun	460.0	461.4	0	0
Aug	466.1	467.6	0	0
Oct	472.3	473.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	673.0	678.0	670.0	670.0
Sep	674.0	674.0	677.5	669.0
Oct	679.5	679.5	0	0
Dec	690.0	689.9	693.5	685.0
Jan	695.3	695.2	0	5
Mar	706.4	706.2	708.0	702.0
May	717.5	717.1	721.0	720.0
Jul	729.1	728.7	731.0	728.0
Sep	740.5	740.1	0	5
Dec	757.8	757.2	762.0	761.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	100.05	100.40	101.00	99.50
Sep	100.05	100.50	101.20	99.25
Oct	99.35	98.35	5	5
Dec	98.00	98.25	98.80	96.90
Jan	96.50	196.75	0	0
Mar	93.60	93.75	94.20	92.90
May	90.90	91.75	92.00	90.75
Jul	88.90	90.00	89.50	89.50
Sep	86.90	88.25	0	5
Dec	85.00	86.50	86.50	85.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	15.61	15.91	15.83	15.60
Nov	15.67	15.99	15.92	15.66
Dec	15.75	16.09	16.01	15.74
Jan	15.79	16.12	16.03	15.79
Feb	15.79	16.13	16.04	15.90
Mar	15.90	16.14	16.03	15.90
Apr	15.80	16.15	16.01	15.80
May	15.90	16.16	16.05	15.90
Jun	16.08	16.17	16.05	16.00
Jul	16.04	16.18	16.04	16.04

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	539.7	546.2	548.0	538.0
Jan	545.3	551.8	553.6	544.0
Apr	552.2	558.7	565.0	555.0
Jul	559.2	565.7	0	0
Oct	566.7	573.2	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4385	4473	4450	4375
Oct	4445	4546	4535	4435
Nov	4520	4606	4500	4510
Dec	4600	4663	4650	4590
Jan	4695	4724	4690	4635
Feb	4600	4653	4650	4595
Mar	4460	4518	4500	4460
Apr	4360	4393	4400	4380
May	4270	4306	4290	4250
Jun	4235	4258	4235	4235

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1335	1323	1336	1320
Dec	1369	1367	1372	1354
Mar	1360	1349	1360	1345
May	1365	1363	1368	1355
Jul	1388	1383	1386	1374
Sep	1415	1408	1415	1402
Dec	1462	1443	1462	1438

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	121.22	125.26	127.25	121.00
Dec	123.41	127.19	127.70	122.50
Mar	122.70	125.89	126.40	121.75
May	122.00	125.50	125.80	122.00
Jul	121.50	125.25	125.25	124.00
Sep	121.06	123.50	124.75	123.06
Dec	119.92	123.00	5	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.27	10.13	10.52	10.14
Jan	9.06	8.90	0	0
Mar	9.98	9.72	10.17	9.78
May	9.72	9.55	9.87	9.54
Jul	9.63	9.45	0.70	9.43
Oct	9.51	9.30	9.55	9.35

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	50.40	52.20	51.20	50.20
Dec	48.84	50.35	49.40	48.65
Mar	49.22	50.50	49.40	48.90
May	49.13	50.80	49.70	49.03
Jul	49.45	51.22	50.22	49.28
Oct	50.90	52.35	51.30	50.35
Dec	51.15	52.70	51.75	50.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	190.50	191.25	191.75	190.40
Nov	182.35	182.95	183.60	182.10
Jan	173.15	174.45	174.40	173.05
Mar	171.00	172.06	172.30	171.00
May	169.95	170.50	170.25	170.00
Jul	168.95	169.50	169.50	169.50
Sep	168.45	169.25	0	5
Nov	168.45	169.25	0	5
Jan	168.45	169.25	5	5

INDICES

REUTERS (Base: September 18 1931 = 100)			
Aug 22	Aug 19	mnth ago	yr ago
1848.8	1850.0	1957.5	1672.4

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	131.06	132.99	187.19	128.85
Futures	135.52	136.31	141.79	130.30

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	807/0	841/0	844/4	806/0
Nov	818/4	851/4	856/4	816/0
Jan	822/4	852/0	858/0	822/0
Mar	821/0	847/0	856/0	821/0
May	810/4	831/4	841/0	810/0
Jul	801/0	820/2	828/0	800/0
Sep	724/0	733/0	745/0	724/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	25.01	25.52	25.80	24.95
Oct	25.32	25.80	26.05	25.30
Dec	25.77	26.25	26.55	25.75
Jan	26.07	26.53	26.80	26.05
Mar	26.45	26.83	27.25	25.40
May	26.70	27.05	27.30	26.70
Jul	26.27	26.75	27.40	26.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	255.3	264.0	266.0	255.2
Oct	253.5	261.2	264.5	253.0
Dec	252.7	259.7	263.5	252.5
Jan	250.5	256.0	259.5	250.0
Mar	246.0	250.0	255.0	245.0
May	241.0	245.0	249.0	239.0
Jul	240.0	240.0	243.0	234.0
Sep	219.0	218.0	221.0	214.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	273/6	277/2	281/0	272/2
Dec	284/0	286/0	289/4	281/0
Mar	288/8	290/2	293/4	285/4
May	289/0	291/4	294/0	286/0
Jul	283/4	287/0	290/0	282/0
Sep	270/4	272/4	275/0	270/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	386/0	381/0	386/0	381/0
Dec	398/4	393/4	399/0	394/0
Mar	404/4	396/0	406/0	365/0
May	374/4	370/0	375/0	371/0
Jul	346/4	344/4	349/4	345/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	70.87	70.70	70.92	70.30
Dec	71.62	71.57	71.97	71.25
Feb	73.17	72.97	73.27	72.57
Apr	74.62	74.47	74.72	74.12
Jun	73.72	73.65	73.85	73.50
Aug	71.20	71.05	71.35	71.02
Sep	71.20	71.20	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.37	40.37	40.85	40.27
Dec	42.62	42.55	42.95	42.50
Feb	44.47	44.27	44.75	44.15
Apr	43.97	43.40	44.15	43.50
Jun	47.30	47.30	47.90	47.40
Jul	48.20	47.00	48.40	48.00
Aug	46.60	46.70	47.60	46.60

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	36.95	36.25	37.60	36.70
Feb	53.80	53.32	54.00	53.20
Mar	53.60	53.70	54.15	53.40
May	54.92	54.72	55.45	54.92
Jul	54.05	54.62	55.50	54.05
Aug	52.27	52.12	53.50	52.27

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices August 22

[illegible]

MONTREAL
Closing prices August 22

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 23

Continued from page 35

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TOKYO - Most Active Stocks

Tuesday 23 August 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Heavy	64.58m	895	+20	NKK	16.23m	681	-6
Mitsubishi Oil	25.41m	7,100	+60	Keisei Electric Railway	16.20m	2,910	+90
Nippon Steel	20.73m	719	-8	Nippon Express	14.64m	1,490	-50
Kawasaki Steel	18.74m	748	-21	Fuji Heavy	14.28m	863	+35
Nisshin Steel	17.85m	1,150	-10	Koyo Seiko	12.24m	1,070	+70

4pm prices August 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27⅞	14	AAR s	.60	1.8	19	212	24½	24	24½	+ ⅛
19	18	ACM n				620	18	18	19	
12⅛	9¾	ACMIn s1.40e		12.		598	11⅛	11	11⅛	+ ⅛
12¼	10⅝	ACMSc n1.26		12.		586	10⅝	10⅛	10⅝	
10¼	9⅞	ACMSp n.17e		1.9		574	9⅛	9	9⅛	
27¾	10½	AGS			33	611	27¾	27½	27¾	+ ⅛
7⅛	2⅛	AMCA				12	3⅜	3⅛	3⅜	
6⅛	3¼	AM Intl				632	5½	5¼	5¼	− ¼
29⅛	17	AM Int pf 2		9.4		48	21⅞	21⅛	21¼	
64½	36⅛	AMR			9	1116	43¼	41⅞	41⅞	− ⅝
24⅞	10	ANR pf 2.12		9.2		1	22⅛	23⅛	23⅛	− ⅞
11⅞	9¼	ARX			16	16	7⅞	7⅞	7½	− ⅛
18⅞	35¼	ASA	3	6.2		478	38⅝	38	38⅛	− ¼
22⅞	9½	AVX	.06e	.3	12	271	12⅞	18⅞	18⅞	− ½
65⅛	46	AbtLab 1.20		2.7	15	2427	45⅞	44½	45¼	+ ¾
27¼	15⅛	AbitiBi g	1			717	17⅛	16⅞	16⅞	− ⅝
10½	9½	AcmeC	.40	4.1		69	9⅞	9¾	9¾	+ ⅛
10	6⅛	AcmeE .32b		4.6	60	8	7	6⅞	7	+ ⅛
28	14⅛	AdaEx 3.05e		20.		93	12½	15⅛	15⅛	
16¼	9⅞	AdamMl .24		1.5	16	29	10⅝	10⅝	15⅝	+ ⅛
24⅞	7½	AMD				9457	11⅞	11	11¼	− ⅝
56⅛	29¼	AMD pf	3	8.6		242	35	29	35	− ¼
16⅞	4⅛	Adobe				21	7⅛	7⅛	7⅛	
20	10¼	Adob pf 1.84		10.		2	17⅞	17⅞	17⅞	
21⅛	17¼	Adob pf 2.40		11.		4	33⅞	20⅞	20⅞	
12¼	5¼	Advest	.12	1.4	16	69	8⅝	8⅝	8⅝	
64¼	39½	AetnLf 2.16		5.8	7	1584	47⅝	46⅞	46⅞	− ¾
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

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AMEX COMPOSITE PRICES

4pm prices August 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
A7&E			12	7⅛	7⅛	7⅛	+ ⅛
A77 Fd2.14e			52	37½	37⅛	37½	
Acton		10	12	12⅛	12⅛	12⅛	+ ⅛
AirExp		8	253	14½	14	14	− ½
Allin s		14	117	8⅛	8	8	− ⅛
Alphain			98	8	8⅛	8	+ ½
Alza		49	506	21½	20⅝	20⅝	− ½
Amdahl	.20	12	2823	43½	42⅝	42⅝	− ⅞
Amzael	.32e	10	1	12⅝	12⅝	12⅝	− ⅛
AMzeA	.52	3	32	14	14	14	
AMzeB	.52	7	8	13⅝	13⅝	13⅝	− ⅛
AMBld			7	⅝	⅝	⅝	− 1-16
APetf	1.58e	8	24	65⅛	64⅞	65⅛	+ ⅞
APrec s	.17	37	34	10⅝	10	10⅝	
AScE		213	14	4⅛	4⅛	4⅛	− ⅛
Ampal	.05	5	28	1⅝	1½	1½	
ArizCm			21	3⅛	3⅛	3⅛	− ⅛
Astrt wi			10	2⅞	3	2⅞	
Atari		12	605	6⅞	6⅝	6⅞	+ ⅛
AtlsCM			53	1⅛	1	1	
– B – B –							
BAT	.39e		2166	7⅛	7⅛	7⅛	
Banstr g			42	6⅝	6⅝	6⅝	
BaryRG		14	26	5⅛	5⅛	5⅛	− ⅛
BergB s		12	114	20⅞	20⅛	20⅛	+ ⅛

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 23

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Continued on Page 33

AMERICA

Dow stands still as bonds rally on economic news

Wall Street

BONDS reacted positively to two key economic releases yesterday while equities traded quietly in an extremely narrow range, *writes Janet Bush in New York*.

The Dow Jones Industrial Average closed virtually unchanged, down 0.89 points at 1,989.33 in volume of only 120m shares.

Monday's fall of more than 25 points also came in low volume with practically all the selling pressure from futures-related stock index arbitrage.

US Treasury bonds rallied quite well yesterday. By late trading, prices were quoted up to 11/32 point higher. The Treasury's benchmark long bond was quoted 21/32 point up for a yield of 9.38 per cent.

The bond market was encouraged by both durable goods orders and consumer prices figures. Consumer prices rose a seasonally adjusted 0.4 per cent in July, towards the lower end of expectations. Although this compared with 0.3 per cent increases in both June and May and provided evidence that inflation is creeping slowly higher, bond traders still seemed quite pleased.

This was partly because, stripped of food and energy, the increase was only 0.3 per cent last month compared with a 0.4 per cent gain in June.

Durable goods orders fell a seasonally adjusted 7 per cent in July, a larger drop than most had expected. In addition, June's surprisingly large 9.4 per cent increase in orders was revised down to a rise of 8.7 per cent.

Bonds were given additional help by the dollar, which remained strong in spite of the economic figures which were marginally less inflationary than expected and showed slightly less strength in orders than expected.

The dollar, after a brief dip on the consumer prices figures, rebounded in spite of another round of central bank intervention. At mid-session, the US currency was quoted at DM1.9125 compared with an earlier low of DM1.8975.

The failure of the stock market to rally along with bonds, particularly after Monday's fall which gave it technical ground to bounce, was disappointing.

Perhaps significantly, the Dow index remained under the 2,000 level throughout the morning session. Although 2,000 is not regarded as an important technical level by chartists, it has some psychological meaning for investors who are already worried about the market's disappointing performance. The Dow is at its lowest level since late May.

Among featured stocks was Insilco, which added $⅝ to $30. The company originally accepted a takeover offer worth $29 a share from a group including First Boston, but said yesterday that it was in discussions with another potential buyer.

Burndy jumped $3⅛ to $16⅛ on news that it had asked its investment bankers to explore alternatives for maximising shareholder value, including sale of all or part of the company.

Hyponex gained $2¼ to $12¼ in over-the-counter trading after the company said it had agreed to merge with an acquisition company controlled by O M Scott & Sons.

Pansophic Systems fell $1⅛ to $13⅞ after reporting net income in its first quarter ended July 31 of five cents a share from 14 cents a year earlier.

Deere & Co, largest US manufacturer of farm equipment, added $1⅛ to $42⅝ after reporting third-quarter net earnings up from 38 cents to $1.14 a share.

Canada

SHARE prices posted a loss in quiet Toronto trading as fears of rising interest rates sidelined investors.

The composite index fell 9.34 to 3,242.02. Declines led advances by 442 to 245 on turnover of 21.4m shares. Falling gold issues led the retreat.

EUROPE

Dull, demoralised bourses lack a sense of direction

ANXIETY over interest rates and Wall Street's overnight losses left most of Europe demoralised yesterday as volumes remained very thin. However, most markets ended above their lows, *writes Our Markets Staff*.

MILAN held up well thanks to a buoyant banking and insurance sector, but trading remained fairly thin after Monday's low L80bn. The Comit index finished just 0.23 lower at 536.57.

Insurer Generali, which accounts for about 12¾ per cent of the market's capitalisation, rose a further L430 to L93,380 in the run-up to its rights issue next month. "Any positive movements in this stock are reflected in the market's overall performance," said one analyst.

Banco Ambrosiano rose L160 to L3,300 amid strong speculation that a foreign bank is building up a large stake. There are also rumours Ambrosiano may be merged with Banca Cattolica del Veneto, thus benefiting from the latter's high profits. Banca Commerciale eased L26 to L2,599 in the wake of the US Federal Reserve's decision to request information on its bid for Irving Bank.

FRANKFURT remained stuck in a rut, with volume still woefully low and trading lacking direction. The overnight fall in the Dow Jones Industrial Average below 2,000 hit early sentiment, while the weakness of the bond market and the prospect of higher domestic interest rates exacerbated the market's paralysis.

There was little reaction when the Bundesbank failed to lift the securities repurchase rate, and many investors seem to believe another rise in interest rates is nonetheless on the cards, possibly after the bank's council meets tomorrow.

The FAZ index lost 5.35 to 477.12 at midsession, reflecting the early gloom. Prices ended off their lows, however, with the DAX real time index of 30 blue chips down 12.02 at 1,155.97. Volume was minimal at DM1.5bn.

Bonds fell to their lowest levels for 10 months, hit by the weakness of the D-Mark and losses in US Treasury bonds. The yield on the latest 1998 federal bond rose to 6.85 per cent from 6.82 per cent.

PARIS closed the August trading account on a bearish note, with volume still thin but swelled by position-squaring. Here, too, the preoccupation was with interest rates, as fears grew that the French Government might be forced into a rise in line with the Bundesbank. The OMF 50 index ended the session 4.05 down at 348.48 after recovering from its day's lows.

Midi continued to benefit from its higher profits forecast and plans for a bigger dividend, adding FFr13 to FFr1,285.

In the food and drinks sector, Pernod lost FFr6 to FFr1,104 after saying it held no stake in Irish Distillers and did not intend to acquire one. BSN, which has been strong recently on analysts' upward revision of earnings forecasts, shed FFr50 to FFr5,000.

ZURICH was again fairly quiet, with no corporate news to move the market, and the Crédit Suisse index eased 2.6 to 474.6.

Larger price changes were restricted to minor companies. "The big movers were all small shares," one analyst said, pointing to sharp falls by small insurers, which had risen last week on speculative interest.

In the banking sector, prices dropped after a slight recovery on Monday. Union Bank bearers, which had gained SFr30 the previous day, fell SFr10 to SFr3,230.

AMSTERDAM weakened as the dollar slipped, but closed above its day's lows after a firmer opening on Wall Street. The CBS all-share index lost 1.8 to 94.6.

Van Ommeren Ceteco, the shipping and storage company, lost 60 cents to Fl 27.10 before reporting a rise in first half profits from Fl 19.3m to Fl 23.8m. Steelmaker Hoogovens, due to release half year results today, shed Fl 1.50 to Fl 56.

Major insurance companies, which begin a spate of results today with Amev's first half figures, declined. Amev lost 70 cents to Fl 51.50.

BRUSSELS closed mixed to lower in dull trading, as investors stayed away in spite of the start of a new fortnightly cycle in the forward market.

Utilities were the only sector to defy the slide, with holding company Tractebel gaining BFr100 to BFr7,800 on volume of 12,750 shares amid rumours of a mystery buyer, and Intercom rising BFr20 to BFr3,160.

STOCKHOLM closed lower in lacklustre trading as a result of declines elsewhere.

Investors' uncertainty pending next month's election was worsened by remarks from Finance Minister Mr Kjell-Olof Feldt, who said it was not possible to lower Swedish interest rates.

MADRID fell following trends in Tokyo and New York.

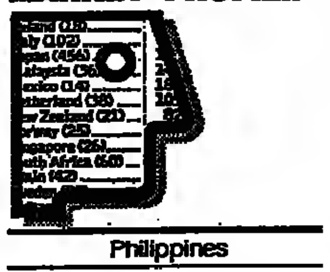
London

INFLATION fears pushed London lower following a higher-than-expected second quarter gross national product figure. The FT-SE 100 index lost 14.4 to 1,817.9. International stocks staged a small afternoon rally, but most still ended lower.

Caution restrains Manila's buoyant twins

Manila's two stock markets, which trade identical stocks, are among Asia's smallest but most buoyant bourses.

MARKET PROFILE



Philippines

Before last October's stock market crash, the exchanges had grown more than six-fold over 18 months as foreign interest increased following the removal of President Ferdinand Marcos from power in February 1986.

The markets, the Manila Stock Exchange and the Makati Stock Exchange, split in 1963 when the country's two dominant brokerage houses fell out and went their own ways. The exchanges have the same market capitalisation, but they run their own stock indices. The Manila exchange is the larger and busier of the two.

The markets have been constrained somewhat this year by the reluctance of foreign investors to venture back into Manila. Last month the Manila Composite index reached a new high for the year of just over 880, but it has since fallen back to 782 amid nervousness about the political scene and the latest oil-drilling schemes.

It hit a low point of 727 in April, with much of the fall then caused by the sharp drop in copper prices. Mining shares were badly affected and strong rises in commercial and industrial stocks failed to reverse the trend.

Last year, share prices reached a record high in June, when the Manila index climbed to 1,337.

A military coup that narrowly failed to topple President Corazon Aquino that August hit the market, which was further battered by the global crash in October.

The 139 listed shares on each exchange have a market capitalisation of pesos 66bn ($3.2bn). The top 10 shares account for 76 per cent of trading and the composite indices cover the 25 stocks that individually make up the commercial/industrial, mining and oils indices.

Trading takes place between 9.30 am and 12.10 pm with no after hours trading. There is a negligible over-the-counter market.

Both exchanges retain paper-based trading systems. Before full computerisation could take place, the two markets would probably have to reunite – but no such reconciliation is in sight.

Makati is nevertheless pushing ahead with preparations for computer-based trading and is further ahead than Manila, though still not far advanced. Manila, meanwhile, has made more headway than Makati in computerising records of transactions.

Volumes have remained low since October, with a combined daily average in 1988 of pesos 80m – Manila with pesos 45m and Makati with pesos 35m. When the market was approaching its peak of 1,337 on July 20 last year, combined daily trading volume was about pesos 300m.

Apart from a small number of traded companies that are closely controlled by families, most of the market – about 90 per cent – is freely tradeable. However, liquidity remains a problem and is extremely low in the smaller stocks. Cash settlement is within five days, when physical delivery of the stocks must take place.

Under the Philippine constitution, foreign ownership is limited to 40 per cent of a company. As a result, most of the larger companies have B shares for foreign investors. Foreigners may own up to 100 per cent of local companies if they are engaged primarily in exporting or agribusiness, but no such companies are currently listed.

Withholding taxes for corporations vary from 20 per cent – for Hong Kong investors – to 35 per cent for most others.

Next week: Tel Aviv

Richard Gourlay

STOCK MARKET FACT CHART MANILA

Market capitalisation: pesos 66bn ($1=pesos 20.40, £1=pesos 34.20)
Number of shares listed: 139
Top 10 stocks, percentage of market: 76%
Trading hours: official – 9.30 am-12.10 pm; none after hours
Average daily turnover, 1988: pesos 80m (combined total of Manila and Makati exchanges)
Main indices: Manila composite index, Makati composite index (both cover 25 stocks)
Current level of index (Manila composite): 782.45; 1988 high: 880.77 (25/7);1988 low: 727.42 (24/4)
Settlement: cash, within five days

Address: Manila Stock Exchange, Prensa St, Cor. Muelle de la Industria, Binondo, Manila. Tel (63 2) 471125; Makati Stock Exchange, 1903-A Pacific Bank Bld, 6776 Ayala Avenue, Makati, Metro, Manila. Tel (63 2) 816 1526.

ASIA PACIFIC

Trading bedevilled by interest rate worries

Tokyo

ANOTHER sharp decline in Tokyo yesterday followed the overnight fall in the Dow Jones Industrial Average below the 2,000 level, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei average fell 159.23 to 27,919.95, dropping below 28,000 for the first time in five trading days. Volume was very thin at 531m compared with Monday's already weak 631m shares. The Nikkei moved between a high of 28,032.49 and a low of 27,861.49. Declines led advances by 587 to 254 and 185 issues were unchanged.

Later in London, shares slipped further, with the ISE/Nikkei 50 index falling 4.20 to 1,889.12.

In Tokyo, uncertainty about possible higher interest rates abroad and concern that the Japanese Government may decide to tighten rules on capital gains taxes continued to cast clouds over the market.

No particular sector showed enough strength to give the market momentum and only issues backed by specific incentives saw buying interest. Fuji Heavy Industry, which was traded in heavy volume of 14.28m shares, rose Y35 to Y863 on the back of its defence-related business. Fuji Heavy is popular because of its promising space-related business.

Sumitomo Heavy Industries, the volume leader at 64.58m shares, also rose Y20 to Y895. The company has been popular in the past few weeks since announcing plans for a high-speed ship powered by a superconductor motor.

Japan Steel Works gained Y61 to Y666 on the back of its property holdings. It plans to redevelop the site of its factory in suburban Tokyo. The company, which has defence-related businesses, also benefited from the strength in Sumitomo Heavy's share price.

Nisshin Steel, the fifth most heavily traded issue with 17.85m shares, lost Y10 to Y1,150. One of the leading steel companies, Nisshin had been actively bought recently because of its relatively low share price.

Keisei Electric Railways, which has risen strongly on speculation that its subsidiary, Oriental Land, is to go public, continued to attract interest. It rose Y90 to Y2,910.

Mitsubishi Oil, another issue that has been bought sporadically in the past few weeks, gained Y60 to Y1,100. It was the second most heavily traded issue with a volume of 25.41m shares. Mitsubishi's popularity stems from speculation that Saudi Arabia is interested in buying a stake in the company and from expectations that the industry as a whole will soon see restructuring moves.

Oki Electric, which rose on Monday on news that it is planning to begin mass production of 4-megabit memory chips next year, advanced Y20 to Y1,130. Other electricals were weaker. Sony lost Y140 to Y6,910 while NEC decreased by Y60 to Y2,150.

Companies in the financial sector remained weak. Sumitomo Bank lost Y50 to Y3,330 while Fuji Bank dropped by Y30 to Y3,150. The weakness of financials stems mainly from uncertainty about interest rates. Securities houses, however, declined on news that many expect reduced profits in the year to September. Daiwa Securities lost Y70 to Y2,310 while Nikko Securities shed Y40 to Y1,830.

Steels were also weaker. Nippon Steel was down Y8 to Y719 on the third largest volume of 20.73m shares.

The bond market was hit by the weaker yen and by stable short-term interest rates. Investors were also concerned about a possible increase in West German interest rates. The yield on the benchmark 105th government bond rose to 5.190 per cent from 5.115 per cent on Monday.

Following Wall Street's fall, the Osaka market slipped back with the OSE average down 167.45 at 27,665.11. Volume was thin at 43.20m shares, down 28m from Monday. Sumitomo Heavy, the volume leader in Osaka at 3.85m shares, rose Y25 to Y900.

Roundup

THE TREND in Asia Pacific markets yesterday was downwards, with Australia falling particularly sharply.

AUSTRALIA fell steeply in late trading before the announcement of the Federal Budget last night.

Equities closed near their day's lows in thin trading after the earlier decline in Tokyo. The All Ordinaries index dropped 13.6 to 1,629.5 on low turnover of 75m, slightly down on Monday's 81m.

The industrial sector and blue chips saw the steepest declines. Market leader BHP fell 10 cents to A$8.40 and News Corporation dropped 25 cents to A$10.40.

Profit-taking, following last week's rises, hit banks and special situation stocks. Among banks, Westpac and National Australia each dropped 8 cents to A$5.84 and A$6.42.

Bond Corporation, the brewing, media and property group, was unchanged at A$2.20 after reporting trebled profits the previous day. MIM, the multinational resources group which announced a fourfold increase in profits on Monday, dropped 4 cents to A$2.14.

SINGAPORE slipped for the 10th consecutive day in quiet trading, but bargain hunting lifted shares off early lows. The market had fallen in the morning following declines on Wall Street and other major markets the previous day.

The Straits Times industrial index fell 8.71 to close at 1,067.02 after earlier losing 21.63.

Activity continued to be dominated by Malaysian speculative, property and low-priced stocks.

SOUTH AFRICA

GOLD share prices in Johannesburg closed slightly higher on a firmer bullion price.

Other stocks were mixed following the release of a trade surplus figure double that of last month at R973.5m, but still well down on July 1987.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 23 1988					MONDAY AUGUST 22 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (87)	151.28	-0.7	133.54	123.46	3.65	152.28	134.67	124.43	152.28	91.16	158.62
Austria (16)	84.82	+0.0	74.87	83.74	2.48	84.86	75.04	84.35	98.18	83.72	97.19
Belgium (63)	109.73	+0.2	96.87	109.46	4.61	109.55	96.88	109.82	139.89	99.14	133.49
Canada (128)	117.37	-0.3	103.61	104.54	3.25	117.75	104.13	104.79	128.91	107.06	139.81
Denmark (39)	121.34	+0.5	107.11	120.51	2.45	120.72	106.76	120.48	132.72	111.42	120.97
Finland (26)	123.78	+0.5	109.27	116.48	1.48	123.18	108.93	116.64	139.53	106.78	–
France (129)	88.76	-0.3	78.35	90.05	3.61	89.01	78.72	90.83	99.62	72.77	110.75
West Germany (100)	72.08	-0.4	63.63	71.44	2.59	72.38	64.01	72.21	80.79	67.78	103.69
Hong Kong (46)	102.94	-1.0	90.87	103.14	4.34	103.97	91.95	104.19	111.86	84.90	138.82
Ireland (18)	131.20	+0.5	115.82	131.30	3.63	130.49	115.40	131.33	144.25	104.60	139.88
Italy (102)	71.79	+0.5	63.37	75.70	2.66	71.42	63.16	75.75	81.74	62.99	84.22
Japan (456)	162.60	-0.6	143.54	137.62	0.52	163.60	144.68	138.63	177.27	133.61	150.72
Malaysia (36)	140.60	-1.2	124.12	144.15	2.56	142.28	125.82	145.79	154.17	107.83	186.35
Mexico (13)	149.66	-0.4	132.11	373.32	1.46	150.23	132.85	375.48	180.07	90.07	336.46
Netherland (38)	100.13	-1.1	88.39	98.35	4.66	101.22	89.52	100.09	110.66	95.23	130.86
New Zealand (20)	76.82	-0.6	67.81	63.98	5.76	77.29	68.35	64.04	84.05	64.42	123.88
Norway (25)	112.63	-1.2	99.43	106.40	2.83	114.02	100.83	108.22	132.23	98.55	168.69
Singapore (26)	122.59	-0.9	108.21	115.24	2.30	123.64	109.34	116.18	135.89	97.99	174.28
South Africa (60)	115.41	+1.6	101.88	87.75	4.89	113.63	100.49	87.16	139.07	109.87	173.66
Spain (43)	143.34	+0.5	126.53	135.57	3.33	142.69	126.18	135.93	164.47	130.73	148.24
Sweden (35)	111.42	-0.9	98.36	107.55	2.65	112.41	99.41	109.04	125.50	96.92	128.21
Switzerland (55)	74.82	-0.6	66.05	74.47	2.30	75.30	66.59	75.23	86.75	74.82	107.84
United Kingdom (324)	127.74	-0.6	112.76	112.76	4.49	128.49	113.62	113.62	141.18	123.09	148.71
USA (580)	105.12	+0.0	92.79	105.12	3.78	105.10	92.94	105.10	112.47	99.19	137.42
Europe (1013)	101.66	-0.4	89.75	95.90	3.79	102.07	90.26	96.67	110.82	97.01	124.56
Pacific Basin (671)	159.77	-0.6	141.04	135.64	0.73	160.77	142.17	136.63	172.26	130.81	150.64
Euro-Pacific (1684)	136.53	-0.6	120.52	119.81	1.65	137.29	121.41	120.71	147.53	120.36	140.29
North America (708)	105.77	+0.0	93.37	105.10	3.75	105.77	93.53	105.10	113.29	99.78	137.55
Europe Ex. UK (689)	85.49	-0.2	75.46	85.43	3.18	85.68	75.77	86.14	92.99	80.27	109.58
Pacific Ex. Japan (215)	125.70	-0.8	110.96	110.73	3.87	126.67	112.02	111.63	128.27	87.51	149.71
World Ex. US (1885)	135.67	-0.5	119.76	119.09	1.73	136.39	120.61	119.95	146.49	120.26	140.76
World Ex. UK (2141)	123.48	-0.3	109.01	114.38	2.17	123.90	109.56	114.90	131.77	111.77	138.52
World Ex. So. Af. (2405)	123.90	-0.4	109.37	114.39	2.37	124.35	109.97	114.96	132.39	113.26	139.20
World Ex. Japan (2009)	105.26	-0.2	92.92	102.22	3.78	105.43	93.23	102.53	112.43	100.00	134.03
The World Index (2465)	123.85	-0.4	109.33	114.22	2.38	124.29	109.91	114.77	132.38	113.37	139.42

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Amendments to indices for Aug. 22 applied to the following : U.S,the Regional Indices and the World Index.